Austria ... Sch. 20	Indonesia .. Rp 2500	Portugal ... Esc 90
Bahrain .. Din 0.650	Italy ...... L 1500	S Arabia .. Rls 6.00
Belgium ... BFr.45	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 125
Cyprus ... C£0 70	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 8 00	Lebanon .. £L 8.00	Sweden .. Skr 7 00
Egypt .... E£1.00	Luxembourg . LFr.45	Switzerland SFr 2.20
Finland .. Fmk 6.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
France .. FFr. 6 00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 7 20	Morocco .. Dh 6.00	Turkey .... L 250
Greece ..... Dr 80	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 7.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,834 — Tuesday January 21 1986 — D 8523 B

America's blacks wait for an economic break, Page 4

World news | Business summary

S. Yemen peace talks under way

South Yemen's civil war, which has so far claimed 9,000 lives, abated following reports that peace talks had begun under Soviet auspices between the forces of President Ali Nasser Mohammed and rebel leaders.

Heavy weapons are being withdrawn from Aden, the capital, and tha ceasefire appears to be taking effect. The rebels are understood to hold three quarters of the city and the president's supporters are maintaining their hold on the Crater District.

Aden Radio, now in the hands of the rebels, said that rebel leader and former president Abdul Fattah Ismail, reported last week to bave been executed, is in fact alive and leading the fighting. Page 3

Danes back EEC

A majority of Danes will vote in favour of accepting the European Community reforms if the issue goes to a referendum, according to an opinion poll. Page 2

Observers banned

Philippine election authorities said all foreign observers will be banned from polling booths during the February 7 elections. Page 3

US honours King

US Vice President George Bush called for an end to apartheid in South Africa at ceremonies in Atlanta to mark the birthday of the late Rev Martin Luther King, which for the first time is a national holiday. From now on the third Monday in January is a federal holiday. Page 4

Polish scientist trial

Poland's leading space scientist, Professor Jan Hanasz, and three colleagues went on trial in Warsaw accused of interrupting a state television transmission last year to urge voters to boycott general elections. Page 2

Greek-US accord

Greece and the US agreed to co-operate more closely in the sharing of intelligence information and security training in an effort to stamp out Libyan-backed terrorism, US Deputy Secretary of State John Whitehead said in Athens. Page 2

Civil guards injured

Two Spanish civil guards were seriously injured when suspected Basque guerrillas attacked their patrol car with handgrenades and sub-machina guns near the northern city of San Sebastian.

Sikhs sentenced

A Pakistani court sentenced three Indian Sikh separatists to death and seven others to life imprisonment for hijacking two Indian airliners to the Pakistani border town of Lahore.

Ugandan fighting

Thousands of Ugandans have taken refuge in churches and mosques as heavy fighting raged between military government troops and guerrillas of the National Resistance Army near Kampala.

Madrid mayor dies

Madrid's Socialist mayor Enrique Tierno Galvan, who earned the reputation of a crusading urban reformer in his six years of office, died of cancer aged 67. Obituary, Page 2

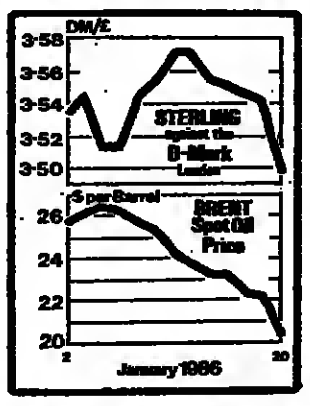
New Pacific island

A new island, 500 metres by 700 metres, emerged near the Pacific island of Iwo Jima after an undersea volcano erupted.

Britain freezes bid for Plessey

GEC takeover bid for rival British electronics group Plessey, worth £1.2bn ($1.7bn), was referred to the Monopolies and Mergers Commission by the UK Government, freezing the bid for at least six months. GEC, meanwhile, said it was suing Plessey for libel over parts of its defence circular sent to shareholders. **Details and Lex, Page 16**

DOLLAR improved in London, closing at DM 2.471 (DM 2.4635), FFr 7.5725 (FFr 7.5525), SFr 2.097 (SFr 2.09) and Y202.35 (Y202.3). On Bank of England figures the dollar's index rose to 126.2 from 125.9. Page 33



STERLING lost 2.2 cents against the dollar in London to $1.4155. It also fell to DM 3.4975 (DM 3.5425), FFr 10.7175 (FFr 10.855), SFr 2.9675 (SFr 3.005) and Y286.5 (Y290.75). The pound's exchange rate index fell 1.0 to 78.9. Page 33

GOLD fell $1.875 on the London bullion market to $351.625 and was $1.75 lower in Zurich at $351.75. Page 32

WALL STREET: The Dow Jones industrial average closed down 7.57 at 1,529.13. Page 40

TOKYO: Prices tumbled on extremely low turnover. The Nikkei average fell 54.73 to 12,952.05. Page 40

LONDON: Interest rate fears resurfaced and drove gilts and leading equities lower. The FT Ordinary index fell 12.6 to 1,118.7 and the FT-SE 100 dropped 17.7 to 1,378.3. Page 40

WEST GERMAN banks are likely to express broad support today for the US-sponsored Baker plan to ease the international debt crisis. Page 2

NIGERIA has agreed to provida added incentives to international oil companies operating in the country to ensure that production is maintained at high levels even during periods when world demand is low. Page 32

FRANCE had a trade surplus with the US in 1985 – the first for at least 35 years. Page 4

WESTLAND'S chairman, Sir John Cuckney, is expected later this week to meet the European consortium seeking to mount a rescue for the UK helicopter maker.

INLAND STEEL, fourth largest integrated steel manufacturer in the US, fell deeper into the red last year with the loss growing from $41.4m in 1984 to $178.4m.

FEDERAL NATIONAL Mortgage Association (Fannie Mae), which finances 10 per cent of US mortgages, earned $36.9m during 1985 compared with a loss of $57.4m in the previous 12 months. Page 17

SINGER, US manufacturer of aerospace electronics and consumer products, boosted fourth-quarter earnings 26 per cent from $20.2m to $27.9m. Page 17

FEDERATED Department Stores, biggest department store chain in tha US, plans to improve its recent sluggish earnings through consolidation of some operations.

HYUNDAI, South Korean car manufacturer, launches its Excel model in the US this week and expects sales of 100,000 units in its first year of operations. Page 17

Paris and London decide on $3.7bn Channel rail link

BY PAUL BETTS IN LILLE

PRESIDENT François Mitterrand and Prime Minister Margaret Thatcher yesterday gave the long-awaited go-ahead for the construction of a $3.7bn twin-bore rail tunnel which will link France and Britain for the first time by 1993.

They also made a vague and tenuous commitment that a road link would be built later between the two countries.

Both leaders described the decision, announced at a colourful ceremony in the town hall of Lille, in northern France, as "historic." Mrs Thatcher said it was "a dramatic step in Anglo-French co-operation," adding that it was an historic occasion after well over a century of dicussion and hesitation.

President Mitterrand said the decision was an act of goodwill and represented "a grandiose view of the future."

But the fact that the two countries finally opted for the Channel Tunnel Group – France Manche (CTG) twin-bore rail tunnel proposal is expected to cause disappointment and controversy for the significant number of supporters, especially in the UK, of the road as well as a rail, link. Indeed, the British Prime Minister herself was believed to have favoured a road link.

Two losing schemes sharply criticised the choice of a rail link across the Channel, and the decision drew a fighting response from ferry and port operators. Details, Analysis and UK parliamentary reaction, Page 7; Editorial comment, Page 14

She said yesterday, however, that the favoured scheme – involving rail shuttles to transport cars and trucks as well as direct rail services – had been "the best researched and detailed plan." She added that it responded best to environmental concerns, that it was the scheme which could be delivered most quickly, and that it had been selected because it stood the best chance of getting the necessary financial support.

Both Mrs Thatcher and President Mitterrand said the rail tunnel would be followed by a road link later, but Mr Mitterrand said that if CTG did not develop a road link proposal in the next 15 years it would lose its exclusive rights to construct such a link.

CTG has exclusive rights to operate a fixed link for 25 years to the year 2020. No other group can operate a fixed link before that date, but in 15 years' time they will be able to bid for the construction of a road link to come into operation after 2020 if Channel Tunnel does not propose a scheme before.

The two governments said in a statement that they expected construction of the rail link to begin in 1987 and that it would be ready for operation in 1993.

The statement also said that the promoters had undertaken to submit to the governments by the year 2000 a proposal for a drive-through link.

It added: "It is envisaged that this would be undertaken as soon as the technical feasibility is assured and economic circumstances and the growth of traffic are such as to permit it to be financed without undermining the return on the first link."

The decision to build a road link only as a second step was immediately seen as a compromise solution, leaving serious doubts over tha future of such a link.

Mr Mitterrand, for his part, made no secret of France's ambition to use the fixed rail link to boost French high-speed train technology and link London and Paris with the

Continued on Page 16

Guinness unveils record £2bn bid for Distillers

BY DAVID GOODHART AND MARK MEREDITH IN LONDON

A RECORD British takeover bid was unveiled yesterday when Guinness ended several days of speculation and announced a proposed agreed merger with Distillers, the Scotch whisky group, which has been fighting off a £1.89bn bid from Argyll Group. The offer values each Distillers share at 604p and the whole company at £2.19bn ($3.1bn).

Mr Ernest Saunders, chief executive of Guinness, who has been a City of London favourite since last year's successful £356m bid for Distillers' whisky rival Arthur Bell, said: "The two companies are a perfect fit with Distillers' portfolio of quality brands and Guinness's reputation for drinks management."

The proposed merger is an admission from Distillers, whose brands include Johnnie Walker and Gordon's Gin, that it could not remain independent despite a relatively improved performance in the past two years.

Mr John Connell, the Distillers chairman, said yesterday that the board had unanimously agreed to the merger terms at a meeting on Sunday evening but other plans – including a bid for Scottish and Newcastle – were being considered right up to the end.

However, it is not certain that Distillers will escape from Mr James Gulliver's Argyll Group. There remains a strong possibility that the Guinness-Distillers deal will be referred to the Monopolies and Mergers Commission on competition grounds.

The combination of Bells and Distillers would give a combined group about 36 per cent of the UK Scotch whisky market and about 41 per cent of the worldwide market. Mr Gulliver added that another consideration was Distillers' 50 per cent holding in United Glass, which makes about half the bottles for the whisky industry.

Argyll said yesterday that the Guinness-Distillers merger had destroyed Distillers' argument that the recent criticisms of its management applied to the 'old's' company which had ceased to exist two years ago. Mr Gulliver also said that the proposed merger was not a real bid until the Office of Fair Trading had decided what recommendation to make to the Trade and Industry Minister on a referral.

If the bid is referred, Guinness said yesterday that it would not abandon its proposals, but in those circumstances it is likely that Argyll would slightly improve on its present offer and hope that enough Distillers shareholders would not be prepared to wait the six months of a commission report before Guinness could remake its offer.

Countering suggestions from Guinness yesterday that it had been given an indication that the merger plan would not be referred, Mr Gulliver released a copy of a telex from the Office of Fair Trading which stated that no other bidder had been cleared.

A perfectly timed punch, Page 14; Lex, Page 16

Spain hints at early EMS entry

BY PAUL CHEESERIGHT IN MADRID

SPAIN is prepared to join the exchange rate mechanism of the European Monetary System (EMS) before 1989 if it can have the same degree of flexibility on tha parity of the peseta as Italy has for the lira.

Mr Carlos Solchaga, the Minister of Economy and Finances, told visiting European journalists yesterday that Spain is firmly in favour of monetary discipline.

Spain joins the EMS in 1989, but it is not obliged to participate in the currency union created by holding parities within a 2.5 per cent band either side of a central rate against the Ecu.

The main exception to this rate is Italy which has a 6 per cent divergence. "We want the same flexibility as the country which has the greatest flexibility in the Community," said Mr Solchaga.

The Spanish Government is relaxed in its approach to the question, however, because it wants time to see how membership of the EEC will affect the structure of its current account on the balance of payments.

This year, the Government is forecasting a surplus of $3bn, a turnround from a deficit which touched $4.5bn three years ago. Reduction of the foreign debt is saving up to $1bn in interest payments a year, Mr Solchaga said.

He is expecting a substantial surplus on the current account for the next two years before a small deficit appears towards the end of the decade.

Spain's early willingness to embrace the exchange rate mechanism of the EMS reflects the enthusiasm with which the Government has entered the EEC.

"The main point is that we are agreeable to harmonising financial and fiscal policies through discipline in the exchange rate system. If this is not obtained, we will not obtain a really integrated market in the Community," Mr Solchaga claimed.

The Community target for an integrated market – a Europe without frontiers – is 1992. Spain accepts the target and wants with it a greater degree of political integration in tha EEC, following in fact the same policies as Italy and the Benelux countries.

Mr Felipe González, the Prime Minister, addressed this point yesterday in reference to Danish difficulties on the internal reform package agreed in Luxembourg last month.

There was a contradiction between the move to a full internal market and reluctance to accept political advance, he said. The Spanish Government is using domestic approval for its enthusiastic EEC policy as a lever in its internal struggle on membership of Nato.

Mr González created a specific link between EEC membership and the referendum to be held in March on tha generally unpopular Spanish membership of Nato.

If the electorate rejects Nato, Mr González warned, this will weaken Spain's position in the EEC. It would be difficult to participate in the political and economic development of Europe but stay apart from its security, he argued.

Lesotho crowds celebrate military coup

By Anthony Robinson in Maseru

JUBILANT CROWDS thronged the streets of Maseru, the Lesotho capital, yesterday to celebrate Sunday night's military coup and the seizure of power by a military council led by General Justin Lekhanya.

The fall of Chief Leabua Jonathan, the Prime Minister who has ruled this landlocked mountain kingdom since 1965, was announced on Radio Lesotho at 6 yesterday morning. The Prime Minister and all his ministers have been confined to their homes but not placed under arrest, and last night, the country was under 6pm to 6am curfew.

General Lekhanya, aided by Major General S. K. Molapo, commander of the security forces, and Mr S. R. Matela, the chief of police, seized power on Sunday night. Senior civil servants have taken over tha running of government ministries, and King Moshoeshoe II remains head of state and is expected to play an important unifying role under the new regime.

The coup followed weeks of increasing pressure by South Africa aimed at forcing Chief Jonathan's Government to accept a joint security treaty, to expel African National Congress activists and curb the activities of Soviet bloc diplomats and advisers in the country.

The first sign of internal pressure on Chief Jonathan came last Wednesday wben units of the 1,500 strong paramilitary force, headed by General Lekhanya, surrounded government buildings. This was followed on Friday night by a gun battle outside the military barracks when 35 men of the controversial Busuto national party Youth League – which was officially disbanded last Wednesday – were engaged by the paramilitary forces; at least five people were killed.

The fighting followed months of resentment within the paramilitary force and the police at the activities of the youth league, whose members have been armed and trained by North Korea, one of five east bloc countries to have an embassy in the capital. Sources close to the military said yesterday that large quantities of Soviet weapons had been airlifted into the country over the last 18 months at the same time that South Africa has complained of increasing use by the ANC of Lesotho as a transit route and crash training point for ANC guerrillas.

The South African attitude has stiffened further since Mr Oliver Tambo, the ANC president, pledged in Lusaka two weeks ago to acceler-

Continued on Page 16

South Africa treason trial, Page 3

Sterling down sharply after oil prices fall

BY GEORGE GRAHAM AND DOMINIC LAWSON IN LONDON

FALLING OIL prices drove the pound sharply downwards in London yesterday to its lowest ever level against the D-Mark. The Bank of England's sterling index dropped one point to end the day at 76.9 as sterling lost more than two cents against the dollar and over 4 pfennigs against the German currency.

The price of North Sea oil slid below $20 a barrel in London for the first time since the second oil price shock of 1979, with a cargo of Brent – the main North Sea crude – sold for April delivery at $19.50 a barrel, more than $1 below the pre-weekend price.

On the New York Mercantile Exchange crude oil prices for future months closed limit down, having dropped by the agreed maximum of $1 a barrel, suggesting that there will be a further fall today.

The pound's weakness put pressure on money market interest rates, and three month interbank rates touched 13.5 per cent – one point above base lending rate – before easing to 13⅜ per cent. Government securities also came under pressure as the markets reacted with disappointment to the lack of progress at the meeting of the Group of Five finance ministers towards lower interest rates. Long-dated stocks lost up to 1¼ points.

The Bank of England acted last weak to head off a rise in base rates and the injection of funds to the banking system announced then is still in effect this week. It is likely to be watching the situation closely, however, and would clearly be concerned if the pound's fall continued.

Clearing bankers said yesterday that shorter-term money market rates are still low enough for them to resist an immediate rise in base rates, but the pound's weakness is causing anxiety among City brokers.

"It looks as though a base rate of 14 per cent is on the cards again and the building societies will not wait long then before raising their rates," said Mr Ian Harwood of stockbrokers Rowe & Pitman. "Certainly rates aren't going to come down."

Mr Mike Osborne of stockbrokers Grieveson Grant said: "If there is a real run on the pound there is very little the Bank can do by intervention in the foreign exchange markets. The only solution is a rise in interest rates."

In active London trading, despite yesterday's partial market holiday in New York, the pound closed at $1.4155 and DM 3.4975. Shares also lost ground with the FT Ordinary index down 12.6 at 1,118.7.

With the Organisation of Petroleum Exporting countries producing almost 18.5m barrels a day of crude last month, North Sea oil is beginning to be displaced from its traditional market.

Yesterday, Idemitsu, tha Japanese trading house, bougbt 1m barrels of January production from BP's Forties field at $22.10 a barrel. It will be able to land the oil in the Far East at $23.60 a barrel, undercutting the Gulf crudes

Commodities, Page 32; Money markets, Page 33

Singapore collapse claims new victim

BY CHRIS SHERWELL IN SINGAPORE

THE PAN-ELECTRIC affair in Singapore has claimed another victim with the announcement yesterday that Growth Industrial Holdings (GIH), a quoted holding company whose shares are currently suspended, is ceasing operations.

The announcement coincides with intensifying dissatisfaction among bankers and brokers over the so-called "lifeboat" scheme, designed to ensure that financially troubled broking firms can meet their obligations.

It also comes against a background of persistent weakness in the local stock market. The Straits Times index of 30 industrial stocks fell 18.17 yesterday to 596.18, matching the 30-month low point hit just before Christmas.

The developments highlight the continuing reverberations from the collapse of Pan-Electric Industries at the end of November, which led to the unprecedented three-day closure of the Singapore and Kuala Lumpur stock exchanges in early December.

The marine salvage, property and hotel concern was placed in receivarship with S$400m (US$188m) in debts and commitments to purchase S$140m worth of shares. The exchanges were closed to arrange a

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CONTENTS

Soviet war films under fire from ex-soldier

By Patrick Cockburn in Moscow

A SOVIET writer has attacked the quality of his country's films about the Second World War, accusing them of mock heroism, inaccuracy and sentimentality.

"Our soldiers deal with enemy tanks as if they were toys, blowing them up with hand grenades and Molotov cocktails," complains Mr Victor Astafyev, a former soldier, Party daily newspaper Pravda. He says he often wants to smash his television with stomach wounds burst into song.

German soldiers are shown being mown down like grass by Soviet submachine guns, writes Mr Astafyev, though in fact these were inaccurate and tended to jam. Experienced Soviet infantry went back to using rifles.

Films about the last war remain very much a staple of the Soviet cinema and television. Ever at the 11 am showing this week of the latest Soviet war film, "The Battle for Moscow" about the first months of the German invasion of 1941, two thirds of the seats were full in the October Cinema on Prospekt Kalinin near the centre of the capital.

It is free from many of the mock heroics of which Mr Astafyev complains. Its central characters are Marshal Zhukov, the army commander, and Stalin. Both are portrayed with a degree of realism, although Stalin appears as too mediative and schoolmasterly a figure to quite carry conviction.

How many times "has the origin of victory been assigned to this or that geographic point," asked Mr Yevgeny Yevtushenko, the Soviet poet, in a recent speech. He was referring to the habit of recent Soviet civil and military leaders to ascribe critical significance to the military front on which they themselves fought.

But Mr Astafyev complains that the films are historically inaccurate. He says the plywood tanks used in films blaze away while rolling forward, though in fact there was no chance of hitting a target until the tank stopped, and after four or five rounds had been fired the inside of the tank was filled with smoke.

German sufferings are too often disregarded on the screen, he believes. "The war, after all, waa fought on two sides, but thus far it has been mainly portrayed in a one-sided way." The tragedy of the German people, plunged into war by Hitler, "is a very terrible tragedy which we have not yet comprehended."

The truth about the war, in which the Soviet Union lost 20m dead, should be told even when it is discreditable, says Mr Astafyev. "At the beginning of the war some of our poor excuses for generals had abandoned not only their headquarters staffs but even entire armies." War films, he saya, too often trivialise and glamorise the war and demean those who fought in it.

Danish vote to back EEC reform forecast

BY HILARY BARNES IN COPENHAGEN

A MAJORITY of Danes will vote in favour of accepting the European Community reform package negotiated at the Luxembourg summit last month if the issue goea to a referendum, according to an opinion poll published here. It indicated that 48 per cent will vote in favour and 38 per cent against, with 14 per cent undecided.

At today's parliamentary debate the minority coalition Government is expected to be voted down by a left-centre majority which wants Denmark to reject the reforms. If this happens, Mr Poul Schlueter, the Prime Minister, has said he will hold a referendum on the issue, probably at the end of next month.

The outcome of today's debate, however, will depend on whether the rejectionist parties can unite to vote for a single resolution. The three key parties — the Social Democrats, Socialist People's Party and Radicals — opposed the reform for different reasons. But yesterday Mr Ivar Noegaard, the Social Democratic EEC affairs spokesman, was confident that he could write a resolution which all the rejectionists can support.

Meanwhile, Mr Uffe Ellemann-Jensen, the Foreign Minister, is planning a three-day tour of the capitals of the five largest EEC countries, plus the Netherlands, to explain the position adopted by Parliament.

The opinion poll, published in the Jutland newspaper Jyllands Posten, also showed overwhelming support for Denmark's continued membership of the EEC. If membership were submitted to a referendum, 59 per cent would vote to stay in, 33 per cent to withdraw and only 8 per cent were undecided.

Editorial comment, Page 14

Mr Nikolai Ryzhov, the Soviet Deputy Foreign Minister, with Sir Geoffrey Howe, the Foreign Secretary yesterday

Soviet minister in London talks

BY DAVID BUCHAN

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday held talks in London with Mr Nikita Ryzhov, a Soviet Deputy Foreign Minister, in the highest level Anglo-Soviet encounter for several months. They coincided with unprecedented co-operation between the two countries in the evacuation of foreigners from Aden.

Earlier in the day, Mr John Stanley, a junior Defence Minister paid tribute to the assistance of the Soviet Union, whose embassy in Aden provided a gathering point for fleeing foreigners.

Mr Ryzhov is the most senior Soviet official to visit Britain since September, when relations between the two countries took a dive as they each expelled 31 of the other's diplomats and officials on charges of spying.

The level of diplomatic establishments and exchanges has been a major topic of Mr Ryzhov's talks with Foreign Office officials. In accordance with past British policy, the ceiling for Soviet representation in London was lowered by the number of those expelled in September to a total of 205. Britain, which has a much smaller embassy in Moscow faces no such restriction from the Soviet authorities.

Sir Geoffrey renewed his invitation to Mr Edward Shevardnadze, his Soviet counterpart, to visit Britain in March, after the Soviet Communist Party congress late next month.

Mr Ryzhov was also expected to amplify Mr Mikhail Gorbachev's latest arms proposals. Besides calling for elimination of all nuclear weapons by the end of the century, they also proposed mutual withdrawal of medium range US and Soviet missiles from Europe, without any longer insisting on Soviet SS-20 missiles to match existing British and French nuclear forces. Previously, Moscow has insisted that the British and French forces be added into the European nuclear balance.

Israel and EEC to hold talks on Iberian entry

BY LAURA RAUN IN THE HAGUE

ISRAEL and the European Community will discuss measures to ensure that Israeli exports of flowers and produce to the Community are not harmed by the Iberian entry to the EEC.

Mr Ruud Lubbers, the Dutch Prime Minister and President of the EEC Council of Ministers, told Mr Shimon Peres, the Israeli Prime Minister, yesterday, that third countries' trade with the EEC should not be damaged by Spain and Portugal's accession to the Community.

Israel exports to the EEC significant amounts of citrus fruits, vegetables and cut flowers which compete with Spanish products.

Mr Peres was in The Hague for a three-day visit to discuss Israel's relations with the EEC and the Netherlands as well as the Middle East peace process.

Israel made no specific proposals to Mr Lubbers, according to a spokesman for Mr Peres. But the Israelis clearly want to protect their cut-flower exports, which account for 7 per cent of the world market and $25m a year to the Netherlands alone.

● Norway's farming organisations have reacted angrily to a suggestion that the country should relax restrictions on farm product imports from the European Community in return for lower EEC tariffs on Norwegian fish and fish products, writes Fay Gjester in Oslo.

The idea – not a new one – has been revived in a report which the Fishermen's Association commissioned from the Norwegian Business University in Bergen.

Mr Hans Haga, head of the Norwegian Farms Union, said it was "distasteful" to try to play one of the nation's primary industries off against the other. He suggested that if the fishermen wanted concessions from the EEC they could offer something themselves – for example by allowing EEC fishermen greater access to Norwegian waters.

Madrid mourns 'old professor'

By Tom Burns in Madrid

Madrid is mourning the death of Professor Enrique Tierno Galvan (67) who, as mayor for the past eight years, transformed the Spanish capital from a cultural backwater in arguably one of the most vibrant cities in Europe. His dedicated and good humoured persuit of tolerance and reconciliation in the post-Franco period had turned him into one of Spain's best-loved political figures.

In the 1950s and 1960s, Professor Tierno Galvan established himself as a tenacious opponent of Franco's regime.

He founded the Partido Socialista Popular, which was later absorbed into the mainstream Socialist party, and was elected mayor of Madrid in 1978

As mayor he won extraordinary popularity. His air of a bemused intellectual, his gold rimmed glasses, his perpetual grey double-breasted suits, his stately manners and constant courtesy made him into something of a Madrid institution and he was known affectionately throughout Spain simply as "El Viejo Professor."

Prof Tierno Galvan's legacy to Madrid is the large investment to beautify the city and control pollution, the promotion of countless cultural initiatives and reawakening of the city's apparently dormant sense of fun.

Bankers resigned to lira defence measures

By Alan Friedman in Milan

SENIOR ITALIAN bankers have put a brave face on the package of measures imposed by the Bank of Italy late last week aimed at defending the lira from speculators in the foreign exchange market.

The measures included tight constraints on bank lending for the next six months, a requirement that exporters deposit in advance 75 per cent of foreign receipts, and higher interest rates on Treasury bonds.

Dr Nerio Nesi, chairman of Banca Nazionale Del Lavoro (BNL), Italy's largest bank, said "The measures were inevitable if we are to avoid a new realignment in the European Monetary System." He said tha consequences for Italian banks would be the need to reduce loan advances and to "defend our deposits" against more attractive tax-free government bonds.

He feared there could soon be a general rise in the level of Italian interest-rates—the prime rate is now 18 per cent. He also agreed with Dr Mario Monti, a leading economist, who described the package of measures as "a setback in the liberalisation process." Dr Nesi hoped the setback would be "as temporary as the central bank promises."

Dr Lucio Rondelli, managing director of Credito Italiano in Milan, said: "We will certainly need to adjust bank rates, but I hope it will only be a matter of fine tuning." He also lamented the setback in the trend toward greater financial deregulation in Italy, but said "the package need not damage the economy." There should still be "sufficient room to finance the growth of the economy in 1986."

Businessmen, especially exporters, were less sanguine about the lira defence package. Mr Celso Battiaon, chairman of the National Exporters' Association, called the moves "a cold shower for foreign sales." But the Bank of Italy maintained that the new requirement on exporters should speed up payments from abroad.

The six-month credit restrictions on bank lending come 24 months after the Bank of Italy abolished such constraints after many years. Foreign exchange speculation grew last November and December, contributing to a rate of growth in new bank loans for the last two months of 1985 equivalent to an annual level of 40 per cent.

EEC ministers reach compromise

Stance agreed on export credit interest rates

BY QUENTIN PEEL IN BRUSSELS

EEC finance ministers hammered out a common position yesterday on government-backed export credit interest rates – out-voting West Germany and the Netherlands to reach agreement.

The first majority vote of the enlarged Community of 12 – including Spain and Portugal – enabled the member states to agree their negotiating stance for this week's talks at the Organisation of Economic Co-operation and Development (OECD).

The compromise on the proposed level of interest rates which state institutions must observe for export credit packages – the so-called Commercial Interest Reference Rate (CIRR) – would reduce the premium to make such rates more competitive with private finance.

The compromise would require state-financed exports to charge a premium on top of the yield payable in the currency concerned on five-year bonds; the proposed range would be between 0.75 and 1.0 per cent for regular currency transactions, and 0.30 and 0.50 per cent for trade packages financed in Ecus – the European currency unit.

An extra limitation would add a margin of 0.20 per cent to any state export credit package offering extra benefits over private finance, such as fixed interest rates.

The deal still goes too far for West Germany and the Netherlands, who fear that it could provide hidden state subsidies to exports.

It is likely to be opposed on the same grounds by the US at the OECD meeting.

The Community must now hope to win the support of other countries like Switzerland and Japan, to overrule the US opposition.

Greek-US move to fight terror

Greece and the US have agreed to co-operate more closely in sharing intelligence information and security training, in an effort to stamp out Libyan-backed terrorism, Mr John Whitehead, US Deputy Secretary of State, said in Athens yesterday, after two days' talks with the Greek Government, Andriana Ierodiaconou reports.

Mr Whitehead stopped in Athens on a tour of nine capitals to raise support for the US anti-terrorist effort, in the wake of the December attacks at Rome and Vienna airports.

West German banks likely to support Baker plan today

BY JONATHAN CARR IN FRANKFURT

WEST GERMAN banks are likely to express broad support today for the US-sponsored "Baker plan" to ease the international debt crisis.

Top representatives of about 40 leading banks meeting here are expected to issue a statement backing the scheme in general, although they believe major details need clarifying.

Banks in other leading industrial countries—including the US, Britain, Japan, Switzerland and France—have already said they favour the plan, outlined last October by Mr James Baker, US Treasury secretary.

But only now are the West German institutes getting together — at the invitation of the "big three" banks—Deutsche, Dresdner and Commerzbank—to hammer out a common view.

This delay was publicly criticised last week by Mr Walter Seipp, chief executive of Commerzbank, who felt it gave rise to foreign criticism and misinterpretation of West German intentions.

Other senior bankers here say they have noticed little such criticism so far, but agree it may have been bad tactics to wait until now before pressing for a joint stand.

It is understood that while the "big three" banks were in broad accord weeks ago on the issue, the position of the Landesbanks and regional banks has remained in doubt.

Under the Baker initiative, commercial banks would put up $20bn (£14.2bn) in new loans over the next three years for 15 deeply-indebted states. This would be flanked by support from international institutions, including the World Bank and Inter-American Development Bank.

Bankers here say the German share of the $20bn would probably be about $1.5bn—of which the "big three" banks alone might put up some DM 1.3bn ($530m).

A lot of key details need discussing, however, including the exact share-out of the lending burden among the banks

West German banks would like to see one or two more of their own special customer countries included among those debtor-states receiving the new injection of funds.

Fianna Fail MP resigns to join O'Malley party

BY HUGH CARNEGY IN DUBLIN

THE Progressive Democrats, an Irish political party founded after Christmas, received an important boost yesterday when a third MP from the opposition Fianna Fail resigned to join it.

The move by Mr Pearse Wyse, a former junior minister from Cork, makes the Progressive Democrats the third largest group in the Dail (Lower House) after Fianna Fail and the coalition Fine Gael and Labour parties.

Like Mr Desmond O'Malley, the former minister who founded and leads the new party, Mr Wyse was a long time opponent of Mr Charles Haughey, Fianna Fail's leader. The other MP is Miss Mary Harney who was expelled from Fianna Fail for supporting the Anglo-Irish agreement on Northern Ireland.

The Progressive Democrats are campaigning on the need for government spending cuts, more private enterprise, looser church-state ties and conciliatory policies on Northern Ireland. They have had an impressive initial response, packing a series of public meetings and hope to hold the balance of power after the next general election, due in 1987, by stealing support from both Fianna Fail and Fine Gael.

Swiss franc forecast to rise by 10% this year

BY WILLIAM DULLFORCE IN GENEVA

A 10 PER CENT rise in the value of the Swiss franc this year is assumed in the latest forecast for Switzerland's economy from the Centre for Applied Economic Research (Crea) at Lausanne University.

This is the basis for its prediction that average annual inflation rate will decline from just over 3 per cent in 1985 to slightly more than 1 per cent this year. The 1986 estimate is some 1 percentage point lower than those proferred by other Swiss economic forecasting institutes.

Crea's predicted inflation rate also assumes that the national bank will succeed in holding growth in the monetary base to its target of 2 per cent this year. Interest rates are seen as remaining stable at their current low level with perhaps a slight tendency to fall.

A decline in the rate of growth of the gross national product from an estimated 4 per cent last year to 1.5-2 per cent in 1986 is predicted. This falls roughly on the mean of other prognoses. Crea's estimate that unemployment will remain stable at around 0.9 per cent of the labour force is also in line with those of other institutes.

Last year Crea predicted a 6 per cent increase in Swiss exports of goods during 1985, while provisional estimates from the customs authorities indicate an actual increase of 9.1 per cent. After examining and dismissing the hypotheses that the divergence could be due to an under-estimation of competitive factors or to technological breakthroughs by Swiss export industries, Crea decides that the outcome was due to "a happy accident."

Its econometric model foresees a "return to normal" this year, with a 1 per cent growth in exports, which compares with the 4-5 per cent forecast by other institutes.

Leading space scientist on trial in Poland

POLAND'S leading space scientist, Professor Jan Hanasz, and three colleagues went on trial yesterday accused of interrupting a state television transmission to urge voters to boycott general elections last year, Reuter reports from Warsaw.

Accused with Prof Hanasz, 51, are his assistant Dr Zygmunt Turlo, Dr Leszek Zaleski, a university teacher, and Mr Piotr Lukaszewski, an electronics technician.

They face up to three years' imprisonment if convicted by the court in Torun, northern Poland, on charges of illegal union activity and causing public unrest. The four were arrested last September in Torun where Prof Hanasz headed the astrophysics laboratory at the Copernicus Astronomy Centre.

Police alleged that they used a transmitter in Mr Lukaszewski's apartment to jam television programmes with appeals to voters to heed a call by the banned Solidarity free trade union to ignore the elections.

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The election is adding a new dimension to the world's largest videotex service, writes **David Marsh**

French voters get the message electronically

FRANCE'S politicians, along with several million of their compatriots ranging from corporate treasurers to pop music lovers and lonely hearts, are learning how to communicate electronically.

The election campaign now picking up steam ahead of polling for the National Assembly on March 16 has added a new dimension to France's burgeoning nationwide Teletel videotex service, already the largest and most varied in the world.

The Socialists and the Right wing UDF Opposition party have both set up services to provide election information via Minitel electronic terminals being distributed to homes and offices around the country.

About 1.3m Minitels are now in place in France under a FFr 15bn (£1.4bn) programme promoted by the Direction Generale des Telecommunications (DGT), the national telecommunications authority, which aims to boost the number of terminals by 1.3m to 1.4m a year over the rest of the decade.

The terminals, screens with attached keyboards, costing about FFr 1,100 each, are mainly given away free. The DGT believes that increased telecommunications traffic as well as fees generated from providers of data banks plugged into the system will allow investment costs to be recouped by 1990.

The Teletel project now groups together more than 2,000 different services providing personal and business subscribers with news on everything from exchange rates, and theatre shows to possibilities of amorous contacts with the opposite—or the same—sex.

The system is "interactive," enabling people to send and receive messages and relay data along telephone lines linking central computers. Electors this month have had the opportunity of quizzing Mr Pierre Mauroy, the former Prime Minister, over his political future and the backers of the scheme hope to persuade President Francois Mitterrand and Mr Laurent Fabius, the Prime Minister, to answer questions over the Minitel later on in the campaign.

As well as being a unique method of acclimatising ordinary people to information technology, the Minitel is also a shop window for French electronics companies.

The DGT is negotiating with other European countries, especially Britain and West Germany, over making the Teletel network accessible abroad. France stresses that the effort to popularise the Teletel, backed by finely-tuned marketing, gives the scheme much more widespread use than the Prestel and Bildschirmtext videotex projects mounted in Britain and West Germany.

"The mass appeal makes the Minitel very original," says Mr Pierre Suard, managing director of the state-controlled telecommunications group Alcatel whose Telic subsidiary makes the Minitel.

"A growing number of other posts and telecommunications authorities are starting to take an interest," says Mr Christer Ugander, head of European operations at the software group Cap Gemini Sogeti. The company set up the network for the electronic telephone directory which is the base service provided by the Minitel.

Cap Gemini has recently sold videotex systems in Sweden and Norway based on Minitel technology. "At first, other countries thought we were crazy," he admits. "They didn't think we could get old ladies to manipulate a keyboard like that."

One of the most widely publicised services on Minitel has been a dating system for gay people promoted by a newspaper in Alsace in eastern France. "Hot" Minitel numbers paving the way for sexual contacts are advertised on large hoardings on Paris metro stations as well as in magazines.

"There are a lot of things people have dreamt up which go beyond technocrats' imagination," says one senior official at the DGT, which first conceived the programme at the beginning of the 1970s. "We are leaving the way open for popular creativity."

Roughly two new ideas are being added a day to the DGT's list of official services, linked by the country's Transpac switching network, which totalled 1,900 at the end of last year. Several hundred unofficial services have also proliferated. Newspaper groups, travel agents and hotel chains are large users. There are about 30 home banking networks offered by large banks, enabling customers to carry out transactions from their armchairs.

About half the services have been set up directly by professional bodies for the use of doctors, lawyers or accountants. Job offers, small ads, and games are also displayed over the wires.

Innovations this month include a system developed by Radio Tele Luxembourg, to allow listeners to vote directly their selection of top hit records and a data bank set up by the Prime Minister's office to provide people with information on their civic rights.

Among the advantages of Teletel is that information is relayed over the Transpac network at a uniform transmission price whatever the distance — making nationwide services a practicable proposition. But DGT officials also see uses for the Minitel in developing local contacts — a mayor communicating with his villagers, or a priest telling his parish of a new time for mass.

The Transpac system became so overcrowded last summer that the DGT stopped distribution of Minitels up to the end of August while work was carried out to erase transmission bottlenecks. Traffic has since risen to 20 per cent above June levels with no problems.

The system is now coping with 23m calls per month — each Minitel is used for an average of 87 minutes during this time, at a basic price to the caller of 38.5 centimes per minute.

The DGT has invested about FFr 2.6bn in the system so far, and is running a cumulative deficit of FFr 2bn. This is expected to rise further in the next few years before falling as the system becomes self-financing.

"We still have four or five years of growth," says a DGT official. The limit will be reached with 8m terminals or one third of France's overall 23m telephone subscribers, in 1990. By this time, the DGT hopes its job of making the French videotex-minded will have been accomplished.

"Your mother's never off that Minitel — your aunt can't have left her pen in the garden again."

Battle lines drawn as poll campaign begins

THE MAIN battle lines in the French election campaign have emrged more clearly after the first weekend in which French politicians took seriously to the hustings, writes David Housego.

President Francois Mitterrand has been capitalising on his renewed popularity in the opinion polls by taking over the leadership of his party's campaign for the March election in a way unprecedented for a President of the 5th Republic. The daily Le Monde characterised this over the weekend with a front page headline proclaiming "The Socialists' slogan: 'Vote Mitterrand'."

Mr Mitterrand has also been harking back to the traditional themes of the Left in a way not heard since the Government gave first priority to fighting inflation. At a large rally in the Normandy constituency of Mr Laurent Fabius, the Prime Minister, he contrasted the Right's platform with that of the Socialists' as "a programme of the rich against that of the poor, a programme of the privileged against that of the people, of the privileged against the workers."

The opposition has been taken aback both by the pace at which the Socialists have been regaining ground and by the increased difficulties they are likely to have with Mr Mitterrand should they win a majority in the National Assembly in March and the President stay on at the Elysee.

Mr Jacques Chirac, leader of the neo-Gaullist RPR, warned: "Let Mr Mitterrand take heed: he is running risks. In abandoning his role of head of state for that of head of the Socialist party, he runs the danger of being in great difficulty if his party is beaten in the election."

The two most recent opinion polls both give the Socialist party 30 per cent of the vote compared to 26 per cent in a poll last week. In addition, one of them indicated that the proportion of those showing confidence in the President has climbed 8 points to reach 50 per cent.

In terms of National Assembly seats, however, the right-wing parliamentary parties, with 303, would still have an absolute majority of more than 50. The Socialists appear to be gaining ground against the Communists and the extreme right-wing National Front.

The belligerence that Mr Mitterrand has injected into the Socialist campaign has revealed one of the major weaknesses of the right. They have no single leader to rally around and remain split between Mr Raymond Barre, the former Prime Minister, Mr Chirac and Mr Valery Giscard d'Estaing, the ex-President.

At the same time, some opposition spokesmen are emphasising that their programme announced last week marks a radical break with the Socialists. Others, however, are emphasising its moderation and reasonableness.

OVERSEAS NEWS

Fighting abates in South Yemen civil war

BY KATHLEEN EVANS IN KUWAIT

SOUTH YEMEN'S civil war, in which up to 9,000 may have died, diminished yesterday following reports that peace talks had hegun nnder Soviet auspices between the forces of President Ali Nasser Mohammed and rehel leaders.

Heavy weapons are heing withdrawn from Aden, the capital, and the ceasefire appears to he taking effect. The armed forces are ottempting to hring life back to normal said Aden Radio yesterday. The rebels are thought to bold three-quarters of the city, with the president's supporters maintaining their bold on the Crater district said informed observers in the Gulf.

Meantime, the battle of the radios continues. Aden Radio, which two days ago announced the overthrow of the president and return to collective leadership, is now gaining credihility in the region as the official radio station of the country. With the numerons statements of support for the rehels it is broadcasting, it is viewed as a symbol of power and control for the opposition forces.

However, such is tbe shortage of concrete information from Aden that observers base their opinion that the rebels control the radio station on the fact that it appears to have a wide and varied collection of Arab revolntionary songs, such as an official radio station of any Arab Marxist state would maintain. "This is not a tinpot rebel station broadcasting on the same freqnency. The rebels bave taken control," said one commentator.

Aden Radio yesterday announced that rebel leader and ex-president, Mr Abdul Fattah *Ismail, reported several times* last week to have been executed, is still alive and leading tha fighting—as are all other coup leaders, inclnding Ali Antar, the vice president.

President Ali Nasser Mohammed, variously reported to be in Ethiopie and the North Yemeni capital of Sanaa, is now thought to have returned to South Yemen to the area of Abyan, a region to the east of Aden.

The Palestine Liberation Organisation has also offered itself as a mediator, though it is unclear whether the troops dispatched yesterday from Sanaa have been allowed to enter the country.

The Soviet Union is reported to have abont 1,000 troops in South Yemen, some in the capital and others stationed on the island of Socotra.

Britain's Defence Minister, Mr John Stanley, yesterday outlined the "encouraging co-operation between British and Soviet forces in the South Yemen evacuation. He compared the link-up to the joint efforts during the Ethiopian famine crisis.

"It is very encouraging that despite our political differences, when it comes to humanitarian rescue or relief operations we can work together," he said on BBC Radio Four's Today programme.

S. Africans plead not guilty to treason

TWENTY-TWO black South *African dissidents* went on trial yesterday on charges of murder and seeking t otopple the country's white-dominated government by force, **Reuter writes from Delmas, South Africa.**

They pleaded not guilty to the charges, which carry a possible death penalty.

Relatives and well-wishers crowded into a magistrates' court at Delmas, a sleepy provincial town 40 miles east of Johannesburg, where the triel —the biggest such case for a quarter century — was moved for security reasons.

The accused range in age from 21 to 61. Some have been in prison since September 1984, and all have been refused bail. They include former top officials of the United Democratic Front (UDF), the main internal group fighting apartheid, as well as little-*known activists from community* associations

All face chargas of treason and murder, which can carry the death penalty, and additional charges of terrorism, subversion and furthering the aims of the banned African National Congress (ANC).

The trial is expected to last at least a year.

Some of the accused replied nervously when asked to plead, but Mr Terror Lekota, the UDF *publicity secretary, told* tha court firmly: "I plead not guilty, and I would like to reaffirm that my organisation, the UDF, is committed to non-violent change."

Yesterday's opening session was interrupted whan Judge Kwem Vandijkhorst adjourned the trial until today after the state attorney inadvertently revealed the nama of his first witness, whose identity he had wanted to keep secret.

The presecuting lawyer, Mr Flip Jacobs, had asked to have the testimony of a former ANC member heard in private, saying the witness feared attack by radicals if he were identified.

Peres continues peace talks in The Hague and London

MR SHIMON PERES, the Israeli Prime Minister, probably will continue his talks with Mr Richard Murphy, the US Middle East envoy today or tomorrow to discuss a possible Middle East peace conference, **Laura Raun reports from The Hague.**

The meeting in London or The Hague raises speculation that progress is being made on arranging an Israeli-Arab peace conference. Discussions are expected to centre on possible participation of the Soviet Union in a peace conference and who would represent the Palestinian people.

Mr Peres told Mr Murphy during a 2½-hour meeting yesterday in The Hague that freer emigration of Soviet Jews could make Soviet representation at a peace conference more acceptoble. "Opening the gates to Jewry" would be more Importont than Soviet diplomatic recognition of Israel, Mr Peres told Mr Murphy.

A spokesman for Mr Peres declined to say whether the Dutch were asked to press the Israeli position in Moscow, where the Netherlands represents Israeli interests.

Mr Peres was in The Hague for a two-day visit to discuss the Middle East peace process and Israeli - European Community relations with Mr Ruud Luhbers, the Dutch Prime Minister. Mr Luhbers currently chairs the EEC's Council of Ministers.

Mr Murphy was in The Hague as part of a diplomatic tour of Europe, which includes efforts to renew US attempts for a peace conference.

Mr Peres met with Mr Lubbers for 1½ bours yesterday to discuss peace efforts, anti-terrorism, Soviet Jewry and bilateral issues including Israeli agricultural exports, research and delevopment co-operation and Third World aid.

David Lennon in Tel Aviv considers the Labour Party leader's aims and achievements

Israeli Premier tries for his fourth goal

WINNING only a two-year term as Israel's Prime Minister, rather than the more usual four years, appears to have concentrated the mind of Mr Shimon Peres on an unswerving drive to attain four specific goals.

- Withdrawing the troops from Lehanon;
- Stabilising the economy;
- Improving relations with Egypt and
- *Seeking peace negotiations* with Jordan.

With substantial progress already achieved on the first three issues, Mr Peres says he now inteods to devote "all my efforts" in the remaining nine months in office to the fourth goal, "to get the peace process moving with Jordan."

The presence of Jordan's King Hussein in London and the arrival in Britain this evening of the Israeli leader, with the renewed mediation efforts by Mr Richard Murphy, President Reagan's special envoy, have fuelled the hopes thot Mr Peres' target may be within reach.

The Jordanian monarch has made it clear that he believes time is working against o peaceful settlement of the Palestinian issue. That view stems from the belief that it will be easier to negotiate the fnture of the West Bank with a Labour Party leader such as Mr Peres than with Mr Yitzhak Shamir, the Foreign Minister and leader of the right-wing Likud bloc, who is to take over as premier in October.

Following the inconclusive outcome of the 1984 elections it was this agreemnet to rotate the leadership of the Government half way through the term of the Parliament (Knesset) which enabled the two main parties to share power in a national unity government.

Serving first, Mr Peres came to power at a time when Israeli soldiers were still deep inside Lebanon and suffering daily attacks; when inflation was raging at over 400 per cent annually; and relations with Egypt were at their lowest point since the signing of the 1979 peace treaty.

He had to tackle these problems while sharing power with the same Likud politicians whose military, economic and political mismanagement created the situation he was setting out to rectify. And the new premier had to do this without offending his opponents-turned-coalition-partners.

The degree to which he has suceeded in attaining the first three of his goals can be contested. Soma fear that the achievements may be only temporary. But even his strongest critics grudgingly admit that Israel is a changed country since Mr Peres took power.

In the course of the past 15 months the Labour Porty leader has aslo succeeded in changing his own image from that of a devious, nnscrupulous, tricky politician to thot of a talented and patient leoder with a stature which is verging on the statesmanlike.

There can be little donbt that the long wait which the yonthful technocrat had to suffer before finally achieving power will fuel his desire to maintain this changed public perception. Thia lends credence to his oft-repeated declarstions that he does indeed intend to bonour the rotation agreement and hand over power to Mr Shamir later this year, despite the pressure from within the Labour Party to generate a crisis which will lead to the collapse of the coalition.

It also makes good sense to bonour this pact, because be will still be in a position to topple the coalition at any time during the following two years, when the Likud bloc will be as dependent on Labour participation in government as Labour as dependent on the Likud today.

That there are still Israeli troops in southern Lebanon may be a source of criticism overseas, but as far as the Israeli population is concerned the bloody and painful involvement in Lebanon has ended.

The second target set hy Mr Peres—of restoring stability to the economy — has certainly been achieved as far as the general public is concerned. After 445 per cent inflation in 1984, prices rose only 14 per cent in the last five months of 1985.

Even though this has heen accompanied by a massive 30 per cent erosion in wages, most people appear pleased with the relative price stability, hrought about by statutory wages and prices controls.

"The frantic urge to rush out and buy things because of the fear that prices would rise tomorrow has gone. Life is much calmer now," one housewife explained with a sigh of relief.

Unemployment has risen to 7.5 per cent. While low by Western standards, this is considered high in a country which believes that it must provide jobs if it is to be ahle to attract immigrants, which is the *raison d'etre* of Zionism.

The number of bankruptcies and companies in urgent need of state support to stay afloat are at an all-time high. "They are killing inflation," says one Tel Aviv husinessmen, "but the economy is in a real slump."

Despite this complaint, he adds, "whila Peres is not a charismatic man, he knows how to govern. There is a feeling, that the country is in better hands, more sober hands, that *somebody is handling* the business."

On Egypt, Mr Peres's dogged persistence has finally persuaded his Likud colleagues to accept a formula for resolving the dispnte over the Taba enclave in the Sinai which could lead to a genuine improvement in relations with Cairo.

With this record of achievement, it would be foolhardy to dismiss the prospects of Mr Peres getting at least a start to negotiations on the Paleatinian issue. That could open up the prospects for new elections in Israel, which might give the Labour Party leader a chance to win a full four-year term in office.

● Mrs Thatcher (below) is well-briefod on Arab views for her meeting with Mr Peres

UK EDGES INTO PEACE PROCESS

FOR AN up-to-date assessment of Arah thinking on Middle East peace prospects there is probably no better place for Israeli Prime Minister Shimon Peres to be than London, where he arrives today. Sir Geoffrey Howe, the British *Foreign Secretary*, spent the first half of last week talking at length with three Gulf rulers, inclading King Fahd of Saudi Arahia, and then on Friday, together with Prime Minister Margaret Thatcher, saw King Hussein of Jordan.

A large part of those conversations were taken np hy an exchange of ideas on the future of King Hussein's efforts to nudge representative Palestinians towards the negotiating tahle and the framework through which this would he best ochieved.

With Mr Richard Murphy, the US assistant Secretary of State, also in Europe and in contact with Mr Peres and King Hussein, there is sufficient diplomatic activity to arouse modest hopes of a new impetus that might help to offset the damage caused by recent terrorist outrages.

However, despite its long association with the Middle East, the British Government remains very self-deprecating about its ability to influence events. It is not an attitude which is shared in the region. For example, Mrs Thatcher'o overture last autumn to two members of the Palestine Liberation Organisation'o executive committee aroused enthusiastic speculation about the re-emergence of a more overtly political British role.

Similarly, Mrs Thatcher's opposition to economic sanctions against Libya and her rejection of a cross-border military response to international terrorism are also appreciated. There is also much more in common between the European Venice *Declaration on the* broad principles of a Middle East settlement and the Arab view as ennnciated at the Fez summit than there is common ground with President Reagan'a proposals, which appear to offer less to the Palestinians in their qnest for self-determination.

It is on these areas that Mrs Thatcher and Sir Geoffrey will probably seek to concentrate during their talks with Mr Peres, rather than on the format for an internatianal peace conference.

Until there are signs of movement on more fundamental issues, the British Government fears that the chances of any international conferenee making progress are extremely slim.

Mrs Thatcher will be particularly keen to hear if Mr Peres has further proposals for easing the daily conditions of the Palestinian people living under occupation on the West Bank and Gaza. This, the British Government believes, would contribnte to "the period of sustained calm" advocated by Sir Geoffrey when also warning moderate Palestinians that extremist terrorism was robbing them of their eredihility.

But there will also be plenty of encouragement for Mr Peres in London. His administration is viewed as being far preferahle to the one that threatens to follow it this antumn. If Mr Peres was to win the next election and construct a workable coalition, the British might yet be tempted to take a few more chanees for the cause of peaee.

Roger Matthews

Budget seeks further cut in inflation

ISRAEL'S budget for 1986-87, which was tabled in the Parliament (Knesset) yesterday, aims at capitalising on the dramatic reduction in inflation achieved in the last five months, and containing it to a level of 1 to 2 per cent o month, **David Lennon** writes.

Mr Yitzhak Moda'i, the Finance Minister, said that the five goals of his economic policy are price stability, contir.ed improvement in the balance of payments deficit, creating conditions for balanced growth, increasing productivity and encouraging savings.

The 30.3bn New Shekel hudget ($21.5bn) is 4 to 5 per cent lower than the budget for the current year, according to Treasury officials. Defence and debt servicing again account for more than 50 per cent of the total.

Social services, health, welfare and education will all suffer cuts in the new hudget. The prices of subsidised basic commodities and transport are also due to rise substantially.

Monetary policy for tha coming fiscal year aims at easing credit controls and making possihle reductions in the real interest rate. This is currently at about 50 per cent per annum.

While some business taxes are to be cut, the Treasury foresees a 3 per cent growth in tax revenue next year. Income from direct taxes should rise 4 per cent, while revenue from indirect taxes falls 2.5 per cent,

Gandhi appoints three as Cabinet ministers

BY K. K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, India's Prime Minister, yesterday appointed three ministers to his Cabinet to replaca those switched at the weekend to senior posts in the ruling Congress I Party.

Mr P. Shivshankar was sworn in as Minister of Commerce in place of Mr Rajun Singh who has been made vice-president of Congress I, a job that makes him virtually the executive bead of the political organisation.

Mr Chandra Sbekhar Singh and Mr P. A. Sangma became Ministers of Petroleum and Labour, respectively, in place of Mr Nawal Kishore Sharma and Mr T. Anjiah, both of whom appointed general secretaries of Congress I, in Mr Gandhi's attempt to revitalise the ailing party.

● Hnndreds of militant Sikhs waving swords and ceremonial daggers yesterday reoccupied their office in the religion's bollest shrine hours after they were forced to vacate it by moderates, Reuter reports from New Delhi. A senior Punjab policeman said that there had been no bloodshed as the youth factions scuffled briefly before the militants entered the room.

● Indian scientists said yesterday that a powerful explosion in the front cargo hold probably caused an Air India jumbo to crash off Ireland last June. Two Sikh groups had claimed responsibility for planting a bomb on the flight.

The scientists' report made no direct reference to a bomb on board although it supported earlier government findings that an explosion probably caused the crash.

● A Pakistani court sentenced three Indian Sikh separatists to death and seven others to life imprisonment for aircraft hijacking, Reuter writes from Islamabad. They were members of groupa who hijacked Indian airliners to the Pakistani border town of Lahore, capital of Punjab province, in September 1981 and July 1984.

Philippines bans observers from polling stations

PHILIPPINE election officials yesterday banned all foreigners from polling stations in next month's presidential elections, including US observers invited to watch for cheating, **Reuter reports from Manila.**

The ban could effect hundreds of foreign observers and news correspondents. Officials said they could be jailed for up to six years or deported if they went within 50 metres of any of the 90,000 polling stations on election day, February 7.

President Ferdinand Marcos, campaigning for re-election after 20 years in power, has invited foreign observers to see that voting is "clean, fair and bonest."

The han was announced amid growing irritation in the pro-government press over the degree of US attention to the election. Several columnists have commented on the timing of a US congressional investigation into alleged US property investments by Mr Marcos, his wife Imelda, family and close friends.

US airline to cut 1,000 jobs as labour talks fail

BY TERRY DODSWORTH IN NEW YORK

EASTERN AIRLINES, the beleaguered Miami-based carrier, moved into open confrontation with one of its trade unions yesterday when it announced draconian cost-cutting measures amongst its 7,200 cabin staff.

The move, outlined shortly after the conclusion of unsuccessful labour mediation talks, includes about 1,000 job cuts, salary reductions of 20 per cent for the remaining flight attendants, and work rule changes that will require attendants to work additional hours and more days per month.

Eastern's statement followed shortly after the ending of a 30-day "cooling-off" period during which the company and the flight attendants' union attempted to reach a wage agreement with the help of the National Mediation Board.

Because the talks ended unsuccessfully, both the company and the union had the right to take whatever action they wished to bring about a conclusion to the wage dispute, although the union said immediately that it did not intend to strike before the beginning of March.

The company has been looking for cost reductions from all of its three main unions as it approaches another critical series of meetings with its lenders. In order to win an extension of relaxed terms on about $2.5bn (£1.74bn) worth of debt, Eastern has to show concessions from the unions by the end of next month.

The crisis at Eastern, which slipped into loss at the end of last month and is facing a renewed price war in the US, was underlined at the week-end by Mr Walter Wallace, chairman of the National Mediation Board, who said that the company's financial position was "perilous."

There have been suggestions, strongly denied by the company, that it might choose to file for bankruptcy under the chapter 11 proceedings, which would allow it to reorganise and probably redraw its labour contracts, under the protection of the courts.

Mr Wallace also hinted that the company's lenders may take unilateral action, saying that they were preparing to take steps which he could not reveal.

Following its fourth quarter figures last week, which showed a $67.4m loss, Eastern announced that it was deferring payment on its preferred dividends.

Mr Frank Borman, chairman, blamed the company's difficulties on fare-discounting and "relentless expansion in key eastern markets by carriers with significantly lower operating and employment expenses."

Discounting takes its toll

William Hall reports from New York on the consequences for airlines of heavy cuts in ticket prices

IT IS good news for airline passengers on the eastern seaboard that tickets for the busy New York-to-Washington route can now be bought for as little as $19 (£13.20).

But it is bad news for such major operators as Eastern Airlines which, because of rampant airline ticket discounting, sees itself faced with a strike by flight attendants and has countered by threatening layoffs and substantial cuts in wages for members of its Transport Workers' Union.

Another less serious effect is that airport taxi fares now are often the biggest single cost item in any short-haul air traveller's budget.

People Express, the rapidly growing cutprice US airline, recently introduced the $19 fare between Newark, just across from Manhattan and Washington's Dulles Airport. Since Dulles is 26 miles outside Washington, most people still prefer to fly to Washington's National Airport which is close to the city centre.

Even so, the cheapest one way airfare between New York and Washington—National is only $39, little more than the cab fare from Manhattan to Newark.

The New York-to-Washington route is about the same distance as London-Paris on which British Airways' cheapest one-way fare is the equivalent of $101. While the $19 People Express fare is designed to generate traffic on a new route and will probably be substantially raised in time, US air fares have recently sunk to levels unheard of in Europe.

Last week British Airways in New York said $72 was its cheapest one-way fare between London and Glasgow, and on the London-Frankfurt route—a distance of 400 miles — the cheapest ticket costs the equivalent of $142.

The 650 miles flight between New York and Cincinnati can cost as little as $29 and the 1,600 mile New York to Houston trip costs a minimum $59, latter significantly on troubled Eastern Airlines.

People Express, which carries more than 1m passengers a month, has spearheaded the current price war with some obvious loss leaders such as its San Francisco-to-Brussels single fare of $99. But virtually all competitors in the US are cutting fares.

The Air Transport Association (ATA) says that in the first 11 months of 1985 86.9 per cent of all passengers were travelling on discounted fares, with the average discount fare being over 40 per cent.

Winter is traditionally slow for the US airlines, and there is nothing new about the timing of the current price war. Some analysts argue that since the deregulation of the US airline industry in the late 1970s, the major carriers have learned to live with the periodic fare battles.

Airline managements have become more sophisticated in managing load factors. The ATA says that in spite of the recent price cuts the average fare was only down 6.6 per cent in the first 11 months of 1985 and for much of last year the industry's load factor was higher. The drop in oil prices has also helped most carriers.

However, while deregulation continues to be a boon to the consumer there is growing concern that the price cutting could signal another wave of bankruptcies.

Brazil and creditors aim for March deal

By Peter Montagnon, Euromarkets Correspondent

BRAZIL and its leading bank creditors have set a deadline of the middle of March for completion of negotiations on a package to restructure debt falling due in 1985 and 1986.

The package is expected to be an interim arrangement that could be fused into a full-scale multi-year rescheduling agreement once the banks have had more chance to evaluate the country's economic performance.

It is expected to involve a seven year rescheduling of debt which fell due in 1985 and a one year extension till March 1987 of some $8bn (£5.6bn) in 1986 maturities and $16bn in short term loan commitments.

In talks which were adjourned over the weekend Mr Fernao Bracher, Brazil central bank governor, and the Citibank-led group of leading lenders reached outline agreement on the package. Bankers stressed yesterday, however, that much negotiation on specific points remains to be done.

The two sides are due to meet again next week.

Meanwhile a telex sent yesterday to all bank creditors said that interim arrangements would be instituted for handling debt falling due between now and March 15. Creditors were also asked to maintain short term loan commitments at their present levels.

The restructuring package will basically give Brazil a one-year breathing space on its debt problems and obviate the need for it to seek International Monetary Fund assistance ahead of congressional elections due in November.

Brazil has refused to seek a formal IMF programme and creditor banks remain acutely worried by the recent sharp acceleration of inflation there.

Some bankers are also worried that even a watered-down rescheduling such as is now contemplated might prove hard to sell to smaller creditors amid continuing rancour over the Government's refusal to stand fully behind three private sector banks that failed last year.

Martin Luther King's work remains unfinished, reports **Reginald Dale**

Blacks await economic breakthrough

Vice President George Bush and Coretta Scott King place a wreath at the crypt of Dr King yesterday

MOST PUBLIC holidays in the US are devoted to consumption. They tend to be the occasion either for "pigging out" with food and drink or for a shopping spree at one of the almost constant "sales" that fulfil one of the nation's main recreational needs. Yesterday was different.

For the first time, the nation, or at least some of it, officially stopped work to honour the Rev Martin Luther King, the first black man to be dignified with such status, alongside Washington, Lincoln and Christopher Columbus.

Under a law passed in 1983, the third Monday in January is hence-forth a federal holiday for reflection "on the principles of racial equality and non-violent social change" that Dr King espoused until his assassination on a Memphis motel balcony on April 4 1968.

It took his supporters nearly 16 years to persuade Congress to recognise his birthday—he would have been 57 on January 15—as the 10th national holiday. (The last time the list was extended was in 1941 when Thanksgiving Day was accorded official status, and the understanding now is that 10 is enough.)

The week-long celebrations that culminated yesterday with speeches, services, prayers and parades were marked by a few disgruntled rumblings from white supremacists.

Eighteen states did not recognise the holiday, fewer than 20 per cent of private sector employees had the day off, and, by a strange twist of fate, some southern states combined the celebration with remembrance of Robert E. Lee, the Confederate commander-in-chief of the American civil war of the 1860s, whose birthday happens to fall on January 19. Virginia threw in another legendary southern hero, of the same war, Stonewall Jackson, to make it Lee-Jackson-King day.

By and large, however, the long controversy is over and former political opponents of the holiday, including President Ronald Reagan, have been enthusiastically joining the bandwagon.

For blacks, it has provided a moment to pause and take stock of their progress in the 20 years since great civil rights battles of the 1960s, learn about their heritage and, as Dr King's son puts it, "recommit" themselves. The general conclusion has been that while considerable strides have been made, they are not enough.

Dr Linda Williams, an analyst at a Washington think tank that specialises in black issues, is fairly typical in pointing out that black participation in politics, education and society in general has advanced strikingly since Dr King first blazed the names of Selma, Montgomery and Birmingham, Alabama, across the world's headlines as symbols of protest and defiance.

What is still missing, she says, can be summed up as "economic rights"—the jobs, the business opportunities. The statistics are harsh. Last month's unemployment figures, the lowest since Mr Reagan took office five years ago, still put black jobless at 14.9 per cent, against 5.9 per cent for whites.

The number of black families living below the official poverty line has risen from 32 per cent in 1980 to 42 per cent today, according to Mr William Gray, the black Congressman from Pennsylvania who chairs the House budget committee. Half of black children live with a single parent in the so-called female-headed households that are typically also often the poorest. The median income of black families, at 56 per cent of whites, has hardly changed in 20 years.

But the demand for "economic rights" is not taking the form of the radical "civil rights" protests of the 1960s, even if Dr King is revered as the most inspirational leader in black American history. The 1984 Presidential candidacy for the Rev Jesse Jackson did not achieve the breakthrough that many blacks had hoped for, but it symbolised determination to work through the political process, rather than against it.

Mr Reagan, who in recent days has virtually co-opted Dr King as a fellow-believer in the "promise and opportunity" of America, believes that economic growth is the answer and that it has been working. It is true that his standing among blacks in recent opinion polls, though down from last year, is higher than it used to be.

Only 11 per cent of blacks voted for Mr Reagan in 1984, but last week 23 per cent said that they approved of his handling of the presidency. That was probably for much the same reasons given by most other Americans—continued economic recovery and the recent apparent thaw in US-Soviet relations.

Although the Administration is now considering weakening government "affirmative action" guidelines designed to promote black jobs and businesses, there have been few controversial racial issues in the past year.

Nevertheless nearly two out of three blacks disapproved of Mr Reagan's performance in the White House in the latest poll, half said his economic policies had held blacks back and 56 per cent said that they "think of Ronald Reagan as a racist."

That last figure should be seen against other responses in which over 80 per cent of blacks said that there was either a "great deal" or a "fair amount" of anti-black prejudice among whites in general.

Yesterday's observance of the King holiday was meant to be a gesture of national reassurance to the black community (now over 12 per cent of the population) that it is not necessarily so.

Haiti protests reach capital

THE PROTESTS against the dictatorship of Mr Jean Claud Duvalier President for life of Haiti, have reached Port Au Prince the capital for the first time since they started in November, writes Canute James in Kingston.

The police mounted road blocks around the presidential palace on Saturday and aborted a march by 3,000 women demanding a "new Haiti." The demonstration in the capital coincided with another in the city of Gonaives to the north where most of the protests have been taking place.

Security forces in Gonaives dispersed the demonstrators who were mostly young.

The Government has not publicly acknowledged that the protests have been taking place

FMLN steps up attacks

GUERRILLAS of the Faribundo Marti Liberation Front (FMLN) have stepped up their attacks on strategic targets in El Salvador with the onset of the dry season. Over the past two weeks they have concentrated their attention on the nation's power supplies with devastating effect, our Foreign Staff writes.

Over the weekend disruptions to power supplies through sabotage forced the state power company to introduce rationing. Officials of the Lempa River hydro-electric commission said that sabotage to power lines caused blackouts in 12 out of 14 provinces.

Attacks on El Salvador's precarious power system have been accompanied by a new effort to dominate the country's main road networks.

French trade surplus with US for first time in 35 years

BY DAVID MARSH IN PARIS

FRANCE RECORDED a trade surplus with the US for the first time in at least 35 years, although its trade performance with other big industrialised countries deteriorated.

Announcing details yesterday of France's overall trade figures for 1985, Mme Edith Cresson, Trade and Industry Minister, also said she believed France's economic relations with the Soviet Union were starting to improve after several years of disappointingly low export orders.

Mme Cresson has just returned from a meeting in Moscow of the joint Franco-Soviet commission during which a FFr 11.5bn (£958m) Soviet contract for the French steel group Usinor was signed.

The climate during the meeting was "very modified" compared with previous talks, holding out hopes that Moscow's "lack of will" over providing France with large capital goods contracts could be changing, she said.

On the trade statistics, which showed France's deficit with the rest of the world practically unchanged last year (on a freight on board basis) at FFr 24bn against FFr 24.7bn in 1984, Mme Cresson said France's performance last year suffered partly because of an upsurge in imports of capital goods.

The capital goods surplus fell to FFr 26.8bn in 1985 from FFr 36.3bn in 1984 because of purchases by French industrialists gearing up for economic recovery, she claimed.

Additionally, the surplus on sales abroad of Airbuses, ships and oil platforms fell by FFr 10bn compared with 1984.

On a country-by-country basis, France registered a surplus with the US of FFr 2.1bn against a deficit of FFr 4bn in 1984.

However, the deficit with the other nine members of the EEC widened to FFr 61.5bn from FFr 56.8bn.

With West Germany, the shortfall increased to FFr 28.6bn from FFr 27.8bn although the proportion of French exports covering imports rose slightly.

French deficits with the UK and the Netherlands fell slightly but increased with Italy, Belgium/Luxembourg and Japan.

Lloyds Bank in loan pact for Egypt refinery parts

BY TONY WALKER IN CAIRO

EGYPT'S ENGINEERING for the Petroleum and Process Industries (ENPPI) and Lloyds Bank International of the UK have signed a £8.2m loan agreement to finance British supplied components for an oil refinery at Assuit in Upper Egypt. Assuit Oil Refining company, set up to run the refinery, is also party to the agreement.

The credit backed by Britain's Export Credits Guarantee Department is less than half that originally requested by ENPPI for the Assuit project.

Agreement was delayed because of wrangling over the terms of the loan following the ECGD's decision in mid-1985 to move Egypt from category C to highest risk category D classification for new business, thereby increasing the cost of premiums.

British companies supplying components for the £140m Assuit refinery are understood to have absorbed the difference in premium cost between the categories.

ENPPI and Lloyds last November signed a £20m financing agreement for Italian suppliers to the Assuit project, the first phase of which is expected to be completed in mid-1987.

The second phase is planned for completion in 1990 and will double capacity. Bechtel International is the project manager.

It is unclear why ENPPI scaled down its original demand for ECGD-backed funds, but it may have arranged for some supplies from elsewhere.

Japanese companies were strong competitors when ENPPI considered bids for the supply of components and technology for the Assuit project.

EEC 'taking hard line on Saudi chemicals'

By Tony Jackson

THIS YEAR'S reimposition of tariffs on Saudi Arabian petrochemicals represents a new hard line stance by the EEC, says the head of the Saudi Basic Industries Corporation (Sabic).

Mr Ibrahim Salamah, managing director of Sabic, said "these tariffs come as a total surprise to Sabic in that they represent a major shift in EEC policies towards imports of GCC (Gulf Cooperation Council) petrochemicals."

EEC tariffs, first introduced in 1985, are applied on a calendar-year basis. Tariffs on Saudi linear low-density polyethylene (LLDPE) high-density polyethylene and methanol were reimposed this year on January 6, 9 and 13 respectively.

Mr Salamah said "it is alarming to note that last year, the EEC waited seven months to impose tariffs on these products under the Generalised System of Preferences (GSP), while this year it took the EEC Commission only five working days to impose duties on LLDPE."

"These new developments clearly indicate that the continuous protectionist sentiments and policies of the EEC against Saudi Arabia's growing petrochemicals industry still prevail, even though the kingdom continues with its liberal free-trade attitude towards EEC exports," Mr Salamah added.

● Dr Hans Albers, president of the German chemical industry association (VCI), rejected charges that EEC tariffs represented protectionism. Polyethylene tariffs had been reimposed according to the rules of the system, he said.

"The reintroduction of the tariff, along with the withdrawal of preferential treatment, cannot be described as protectionism, especially since similar tariffs apply in the US."

Commission, Japan to improve consultation

The European Commission and Japan yesterday agreed to strengthen bilateral consultation between the two sides, an EEC delegation spokesman said, Reuter reports from Tokyo.

The EEC Commission and the Japanese Government will hold two meetings a year, one of them at Ministerial level.

Work in emerging areas should expand trade opportunities, **Peter Marsh** writes

Space industry set for steady growth

THE WORLD'S space industry looks set for a period of steady growth, fuelled by an increased demand for telecommunications satellites and by work in emerging areas such as earth-mapping and low-gravity materials processing.

In addition, moves by governments to deregulate space activities, for instance by opening up telecommunications markets, and to organise large, co-operative ventures, such as the international space station planned for the 1990s, should expand trade opportunities.

These are among the conclusions of a report from the Organisation for Economic Co-operation and Development (OECD) on the world's space industry. The document says that in telecommunications satellites alone, the traffic-carrying capacity of spacecraft in orbit is doubling every four years.

In 1984, the 60 or so Western non-military telecommunication satellites carried 1,130 transmitting and receiving devices for radio signals (transponders). This figure, 10 times the number for 1972, is expected to increase to 2,500 by 1990.

Between 1983 and 1990, industry worldwide is due to spend $18.5bn on telecommunications satellites, including launch costs and earth stations.

According to the report, the Western world will launch satellites into the geostationary orbit (the ring 36,000 km above the earth from which spacecraft appear to hover above a fixed point) at the rate of more than 23 a year until 1990.

Of this annual tally of satellites, roughly eight will be for US telecommunications corporations, four for international bodies such as Intelsat (which is responsible for international telephone calls) and 11 for countries or companies outside the US.

In remote sensing, in which pictures or radar images are taken of the Earth by orbiting satellites, the US is the only country to provide a service. Eosat, a consortium of Hughes and RCA, is selling images from the Landsat series of spacecraft, whose operation the company took over from US government departments in September.

France, Japan, Canada and the European Space Agency are all due to launch their own remote-sensing satellites over the next few years. The total world market for obtaining images of the earth from satellites is expected to reach $1bn by 1990, according to the OECD.

Government departments dominate spending on space activities. In 1983, investment by Western governments in space projects totalled $16.7bn, of which $15bn was spent by the US.

This government investment supports a Western space industry which in 1983 had combined annual sales of $7.5bn, $5.9bn of which was due to US companies.

This reliance on government contracts is slowly changing, according to the report, as private companies start to fund space developments themselves. In Europe, for instance, Arianespace, a company based near Paris which has a mixture of public and private shareholders, is selling launch services using the Ariane rocket.

In the US, several companies are taking over from the National Aeronautics and Space Administration (Nasa) activities related to the space shuttle fleet.

For instance, Astrotech has a contract from Nasa to prepare satellites and other payloads for flight inside the shuttles, while companies such as McDonnell Douglas sell the small rockets needed to boost satellites from the low orbits reached by the vehicles to higher positions above the earth.

Despite space technology's glamorous image, the future for extraterrestrial activities is by no means assured. Doubts exist over the long-term value of experiments on space platforms to turn out materials in low gravity. As a result of the uncertainties, says the report, private companies are reluctant to fund their own research in this area and the lion's share of the costs will continue to be borne by governments.

Even in the established area of communications satellites, plans for launches could be thrown into disarray by factors such as increased competition from terrestrial communications systems based on fibre optics and by market factors, for instance the lower than expected demand in the US for direct-broadcast TV craft.

As a sign of the uncertainty recent forecasts from Nasa predict that commercial communications satellites will be launched at the rate of about 10 a year between 1987 and 1989, which is roughly half the rate projected by the OECD report.

The Space Industry—Trade Related Issues. OECD 2 Rue Andre Pascal, 75775 Paris Cedex 16.

Machine tool orders fall sharply in Italian market

BY ALAN FRIEDMAN IN MILAN

ITALIAN machine-tool manufacturers are worried about a serious drop in home orders during the last quarter of 1985 and say that despite a buoyant export performance, the outlook for this year is not encouraging.

Home orders fell by 29.7 per cent in the three months to last December 31, although foreign orders grew by 37.8 per cent in the same period.

For the whole of last year, domestic orders were down by 7.6 per cent and export orders up 37.1 per cent, according to Ucimu, the manufacturers' association.

Preliminary estimates showed that total machine tool sales last year were L2,020bn (£857m) up 15.4 per cent in nominal terms and 7.9 per cent after taking inflation into account.

On an inflation-adjusted basis home sales were almost static last year, while exports were up by 13.2 per cent in real terms (19.4 per cent nominal) to L1,170bn.

James Buxton adds from Rome: Foreign car manufacturers increased their share of the Italian car market by just over 3 per cent last year. But the domestic car producers, led by the Fiat group, retained almost 60 per cent of the local market —a far higher proportion than domestic producers enjoy in other European countries.

Through new models and aggressive marketing, Renault and Volkswagen increased their market shares—the Renault 5 and the Volkswagen Golf are the third and fourth best-selling cars in the country, after the Fiat Uno and the Fiat Panda.

Renault's market share went up from 8.95 per cent in 1984 to 10 per cent last year, while Volkswagen's share went up from 4.83 per cent to 7.4 per cent.

The market rose by 6.85 per cent in 1985 to 1,746,868 cars and imports took 40.1 per cent, some 3.15 per cent up on 1984. Japanese manufacturers sold only 2,420 vehicles, since car imports from Japan are strictly limited by treaty.

Danish shipping company faces new competitor

By Hilary Barnes in Copenhagen

DFDS, the Danish shipping company which has long been market leader in North Sea trade between the UK and north-west Europe, will face a tough new competitor from March 1.

A subsidary of the Danish A. P. Møller group's London company, The Maersk Company, is then to start a roll-on roll-off operation between the Danish west coast port of Esbjerg and Great Yarmouth.

The route will be operated by The Maersk Company's Norfolk Line, using a Dutch flag vessel, Duke of Flanders.

Norfolk Line has obtained a contract with ESS-Food, the Danish bacon export association, to transport bacon across the North Sea, which is regarded here as a feather in Norfolk Line's cap.

DFDS operates 15 ships out of Esbjerg, Gotenberg and Hamburg to five UK east coast ports.

A. P. Møller is best known for its strong position in world liner trade.

Bechtel to join Algeciras Bay development study

BY TOM BURNS IN MADRID

THE DEVELOPMENT of the deep water bay of Algeciras, which is being promoted as a potential Southern European super-port, is to be the object of a six-month feasibility study by Bechtel of the US and Citibank Espana, according to a contract to be signed today between the regional government of Andalucia and the two US groups.

The brief for the study transcends the existing and future port facilities of Algeciras, which is already Spain's major container port. It will also examine the viability of the bay area as a centre for food processing and other industries as well as its growth in the tourism sector.

The bay area's backers as a key growth zone at the entrance to the Mediterranean include Mr George Moore, the former chairman of Citibank-Citicorp, who has long been associated with economic development in southern Spain, and Mr Jose Rodriguez de la Borbolla, chief minister in the Andalucia Government, who claims that Algeciras is poised to become a "Rotterdam in Southern Europe."

The strategic location of Algeciras and its deep-water facilities suggest that it could develop into a unique transfer zone for shipping between the Mediterranean and the Atlantic.

The feasibility study marks the first iniative of its kind by a US bank and a construction and engineering company, to undertake a development project in Andalucia.

In another development, Northrop, the US aircraft manufacturer, held talks in Seville with regional government officials concerning investment in the Algeciras area.

The American company is obliged to undertake initiatives in Spain under the terms of a major combat aircraft contract with the Madrid Government.

Andalucia, which has a solidly-based tourism industry, is seen as a major development area with the onset of Spain's entry into the Common Market.

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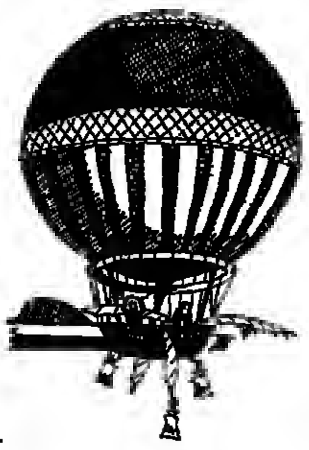
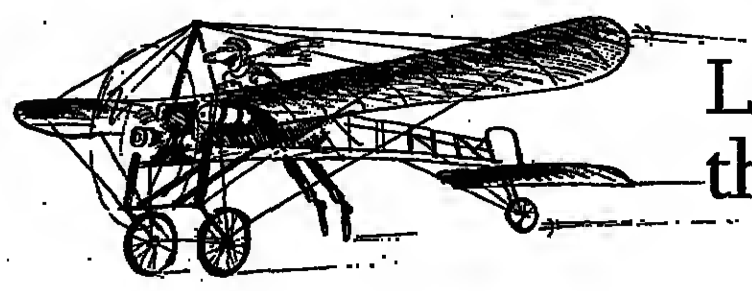


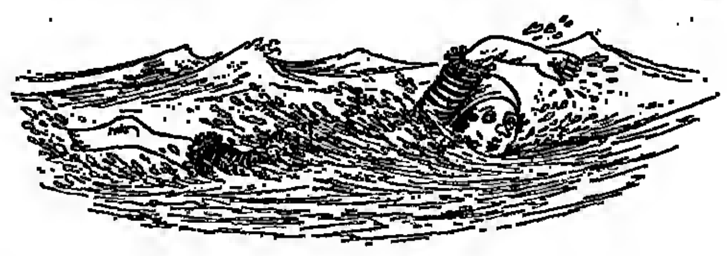
Dr. John Jeffries and Jean-Pierre Blanchard, the first men to cross the Channel by balloon. 1785.

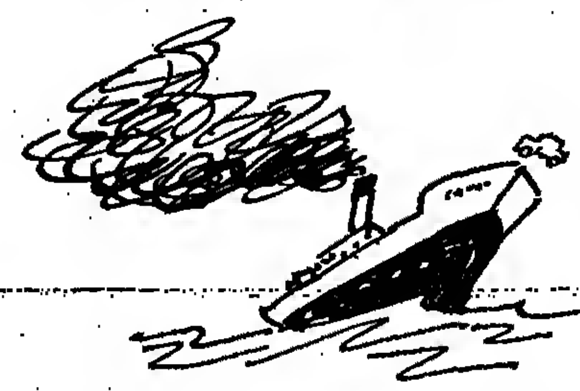
Capt. Matthew Webb, the first man to cross the Channel by swimming. 1875.



Louis Blériot, the first man to cross the Channel by aeroplane. 1909.

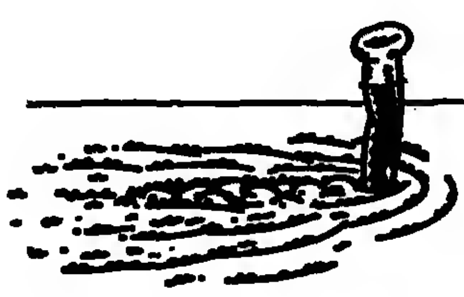
Gertrude Ederle, the first woman to swim across the Channel. 1926.





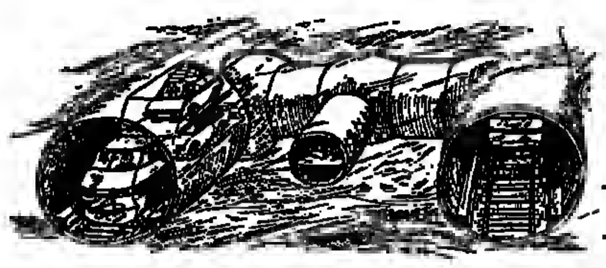
The Artificer, the first ferry to carry cars across the Channel. 1928.

Lissaint Beardmore, the first man to cross the Channel by glider. 1931.



Fred Baldasare, the first man to swim across the Channel underwater. 1962.

Dieter Zeigler, the first man to fly a model helicopter across the Channel. 1974.



The Channel Tunnel Group Ltd and France Manche SA, chosen to be the first people to cross the Channel underground. 1986. NatWest, a founder shareholder, is happy to have contributed its project financing expertise to this major development.

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Adjusted output figures show higher growth

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

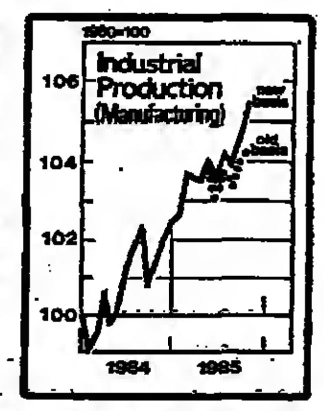
THE Government yesterday presented a more optimistic picture of the latest trends in Britain's industrial production after the introduction of substantial adjustments to the most recent official figures for manufacturing output.

The Central Statistical Office (CSO) said that it had introduced a system of "bias corrections" to its index of manufacturing output to counter what it said was a persistent under-recording in its initial estimates.

The CSO said that it was now adjusting the figures to take account of the trend of revisions over recent years and to include information available from the Confederation of British Industry's (CBI) industrial trends survey. It has also improved the sample on which it bases the provisional estimates.

The effect of the changes has been to add between 0.2 and 1.1 points to the index of manufacturing output in each of the six months to November, with the largest increase coming in the latest month.

The adjusted figures show manufacturing output rising by 1 per cent in the three months to November compared with the previous three months, to stand 3 per cent higher than in the same period a year earlier. The old series of figures would have shown a rise of 0.4 per cent in the latest three-month period and an increase of 2.5 per cent on the year.



Government statisticians believe that the latest series of adjustments are justified by the evidence that the previous provisional figures had been seriously underestimating the level of manufacturing output.

The estimate for the latest month is based on data covering only 40 per cent of output and has frequently been subject to revision as much as a year later. The timing of the change is, none the less, likely to cause controversy as trends in manufacturing output have been at the centre of recent debate on the Government's economic strategy.

At the same time it is likely to provide ammunition for the CBI in its case that a significant proportion of the increases in average earnings in manufacturing industry are being justified by higher productivity.

On the basis of the new output figures the pace of growth in unit labour costs fell to 4.5 per cent in the three months to November compared with a year earlier, down from an annual rate of over 6 per cent in the summer months.

Yesterday's figures also show relatively buoyant growth in the wider index of industrial production, reflecting higher North Sea oil production and the bounceback in coal production since the end of the miners' strike as well as the improved manufacturing figures.

Industrial output in the three months to November was 6½ per cent higher than in the comparable 1985 period. After adjustment for the coal strike the rise was about 3 per cent.

Kinnock praises Japanese example

By Our Political Editor

BRITAIN has much to learn from the Japanese approach to industry Mr Neil Kinnock the Labour leader argued yesterday.

In an address to the Industrial Society in London Mr Kinnock looked at industrial solutions overseas. He noted a contrast between the view that the answer for the conundrum of labour costs and employment possibilities lay in the strategy of cutting costs by lowering wages as in the US, and the one operated by the Japanese of reducing costs by improving production.

Mr Kinnock said he did not believe that Britain could take cuttings from the Japanese system, transplant them in the UK, nourish them with support from a British minister of international trade and industry and sit back and watch a new industrial garden grow.

He added, however: "If we are to move out of present economic employment and capital market conditions, and we most certainly must – it is better for us to move towards the stable Japanese direction than to slip towards the fragile American condition."

TNT seeks further newspaper contracts

BY JOHN LLOYD, INDUSTRIAL EDITOR

THOMAS Nationwide Transport (TNT), the Australian-owned transport company that distributed a fourth section of The Sunday Times at the weekend, is now poised to take more national newspaper business.

Mr Alan Jones, TNT (UK) general manager, said yesterday that the group now had a distribution package tailored for national newspapers that was quicker, cheaper and more efficient than the rail and road system which all national newspapers use.

He said the company had discussed national distribution with a newspaper group other than Mr Rupert Murdoch's News International, which owns The Sunday Times.

It had also made a feasibility study on the distribution of News International's proposed new daily, London Post – although there are now doubts over whether or not the paper will appear.

The London Post, which has been scheduled to start publishing in March, would be printed at News International's new plant at Wapping in London Docklands. The Sunday Times' fourth section was printed at Wapping.

The National Graphical Association and Sogat '82 print unions have threatened industrial action over the transfer of titles to Wapping. The result of ballots of their members at News International's four newspaper titles will be announced today.

Mr Jones said that the Sunday Times distribution had gone ahead over the weekend in spite of a request from Mr Bill Morris, deputy general secretary of the Transport and General Workers' Union (TGWU), not to handle the work because of protests from Sogat '82, which normally handles all national newspaper distribution.

He said: "In spite of our very good relations with the TGWU, I was forced to say no because we were under contract."

Mr Ron Todd, the TGWU general secretary, said yesterday: "The TGWU has made it clear that it is not prepared to distribute material from News International's four titles if there is a strike of the print unions over Wapping."

● The EETPU, the electricians' union, will face a double complaint tomorrow at the general council of the Trades Union Congress (TUC) that it has acted contrary to TUC rules, David Thomas writes.

Print unions are to complain about the EETPU's conduct at the Wapping printing plant. The National Union of Mineworkers will also complain about the EETPU's contacts with the Union of Democratic Mineworkers, the breakaway union.

US-owned group may bid for naval dockyard

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

A US-OWNED engineering contracting group, the Foster Wheeler Corporation, is preparing to bid for the management of the Royal Naval Dockyards when tenders are invited in April.

The group is one of 16 companies that will shortly undergo a pre-qualification exercise for management contracts of the Rosyth (Scotland) and Devonport (west of England) yards, according to the Ministry of Defence in London.

Others listed as expressing interest in bidding include Babcock International, Balfour Beatty, British Aerospace, GEC, Trafalgar House and Thorn EMI.

The possible involvement of the US-owned group is being opposed by Mr Gordon Brown and Mr Dick Douglas, respectively the Labour MPs for Dunfermline East and West, the Scottish constituencies around the Rosyth dockyard.

Mr Brown said yeterday that he and his colleague had requested a meeting with Mr George Younger, the Defence Secretary. They will tell him they oppose not only the possibility of foreign control of the management of the dockyards, which refit all the Royal Navy's warships, but also the yards likely dependence under their new status on business from foreign navies. That could detract from the yards' ability to cater for Royal Navy needs in emergencies, Mr Brown said.

Mr Michael Heseltine, the former Defence Secretary, announced the Government's controversial plans for commercialising the dockyards' management last July. Tenders will be invited for the management contracts in April and will be awarded at the end of the year to take effect from April 1987.

Devonport, the largest of the two yards, employs about 12,000 of the total 18,000 workforce and accounts for about £280m of the £450m of annual business.

Foster Wheeler is understood to be preparing for its bid through the UK subsidiary Foster Wheeler Energy, based at Reading, Berkshire. While company spokesmen were not available for detailed comment last night, it is thought that the group might bid only for one dockyard. The Defence Ministry apparently hopes to let the two contracts to different companies to retain an element of competition.

The bids for Devonport include one from a team of eight civil servants and two naval officers at present involved in the yard's management.

Regional brokers to realign

By John Moore and David Lascelles

A DRAMATIC realignment in Britain's regional stockbroking community is set to take place. Charterhouse Group, part of the Royal Bank of Scotland, yesterday announced that it is to acquire Tilney, the Liverpool-based stockbroking firm. A more ambitious merger of five regional stockbrokers is expected to be announced today.

The changes are taking place ahead of the radial reforms in the structure of the London Stock Exchange and its firms which are due to be fully implemented in October this year.

Mr Victor Blank, chief executive of Charterhouse, said that the group had decided that it needed market intelligence and a distribution network to participate in the new-style UK securities markets. Charterhouse also wants to expand its fund management business. He expected that the group would use the outlets of its clearing bank parent to expand its private client business.

According to Charterhouse, it is paying under £10m for Tilney, which is in its 150th year of operations. Charterhouse will raise its stake to 100 per cent in April. Tilney manages funds of £900m. It has 12,000 clients and 50 pension funds. Once combined with Charterhouse the total fund management of the group will amount to £2.25bn. Tilney has 17 partners, employs 106 people and has a research team that covers 26 per cent of the market.

Charterhouse said that the deal with Tilney will enhance its existing management operation and the possibility of further similar expansion of this operation is under consideration.

Andrew Fisher reports on the implications of the historic decision by Mrs Thatcher and President Mitterrand

Channel link to be one of world's biggest projects

IN EIGHT years – if all goes according to plan – the British will be able to travel to the European continent by land, a momentous step for a people always dependent on sea or air travel. Despite its historic significance it is not a change that will be universally welcomed.

Many Britons have been suspicious of a tunnel ever since Napoleon had the idea in the early 1800s. But a physical link is now to be built in one of the biggest civil engineering projects the world has seen, a 31-mile twin rail tunnel under the Channel.

No longer will the British be apart, or aloof, from the rest of Europe as a result of the accidents of geography. They will be able to go directly to France. The link will be built by Channel Tunnel Group (CTG) and France Manche, which will bore two 7.3 metre rail tunnels through the chalk under the seabed.

The decision announced by the UK and France in Lille yesterday had been eagerly awaited by CTG, its partner and their rivals. The CTG and France Manche victory was expected, but it was still a suspenseful weekend for all involved. The decision came after the visit of Mr Nicholas Ridley, UK Transport Secretary, to Paris to see his French counterpart, Mr Jean Auroux, for a working dinner last Thursday.

It leaves two disappointed and influential contenders: EuroRoute, with its imaginative and expensive scheme for soaring bridges, roads spiralling down into an immersed tobe tunnel and a bored rail link; and Channel Expressway, offering rail and road tunnels.

Now that CTG-France Manche, has the two governments' seal of approval, the consortium still has some hurdles to overcome before proceeding with its £2.66bn project. It has to gain parliamentary approval, raise the money and secure agreements with the British and French rail networks.

Although strongly supported in France, CTG and France Manche did not at the final stage appear to be the first choice of either country. The late entry into the race of Mr James Sherwood with Channel Expressway had added a new factor to the contest.

The UK Government favoured Mr Sherwood's scheme but the French were highly mistrustful of it. So, too, were EuroRoute and CTG, both of which said frequently that they thought its stated £2.55bn cost had been grossly underestimated and that the tunnel ventilation was inadequate.

CTG, however, will have to look hard at the possibility of building a road link, since it was the promise to consider this later which apparently swung the balance in its favour last week. City of London analysts question, however, whether CTG will be able to finance a drive-through tunnel, having built a rail link.

When the CTG and France Manche link opens, vehicles will be carried at 100 mph (160 kmh) on special drive-on shuttles, or rolling roads. The shuttles will leave as often as three minutes apart in peak times, be able to transport about 4,000 vehicles an hour in each direction and take 30 minutes for the journey. Initial demand is expected to be 1,000 an hour, rising towards the year 2000.

British Rail and French Railways (SNCF) will use the same tunnels to run their passenger and freight services. A comprehensive safety and signalling system will control traffic.

The single-track tunnels, with a narrow service tunnel between, will be 31 miles long with some 23 miles of this under the sea. The rail journey between London and Paris or Brussels will be cut to just over three hours. France will be able to run its high-speed TGV (Train à Grande Vitesse) trains into London, although not at top speeds on the English track.

Work is due to start in 1987. At the insistence of the UK, no government funds will go into the project, although the French with their liking for grand schemes would not have minded this.

The capital cost of the project is £2.33bn, with a further £220m of land purchase, marketing, insurance and other costs bringing the sum up to £2.6bn, against £5bn for EuroRoute and £2.55bn for Channel Expressway.

Before work can start, the two governments have to sign a treaty in the next few weeks, after which the legislation permitting the link has to go through Parliament. CTG considers that it will be able to start raising the public money from June 1987.

Including interest charges, inflation and provisions of about £1bn to cover cost overruns, the final cost of the project is put at about £5.3bn. The aim is to raise between £650m and £1bn of equity in Europe, the US and Japan.

Thirty-two international banks have given commitments for £4.3bn in development loans. The return on equity of around £1bn is put at 19 per cent, based on what CTG calls its conservative traffic forecasts and the fact that bank loans will be refinanced through revenua bonds.

The CTG shareholders comprise five construction companies (Balfour Beatty, Costain, Tarmac, Taylor Woodrow and George Wimpey) and the Netional Westminster and Midland banks.

In France-Manche, five construction groups (Bouygues, Dumez, Société Auxiliare d'Entreprises, Société Générale d'Entreprises, and Spie Batignolles) and three banks (Crédit Lyonnais, Banque Nationale de Paris and Banque Indosuez) are partners.

The shareholders have committed £50m of equity. A second tranche of about £150m will be raised this year through an international private placement, with the rest (up to £800m) to be raised internationally (including by public subscription in the UK and France) after the treaty is ratified and before work begins.

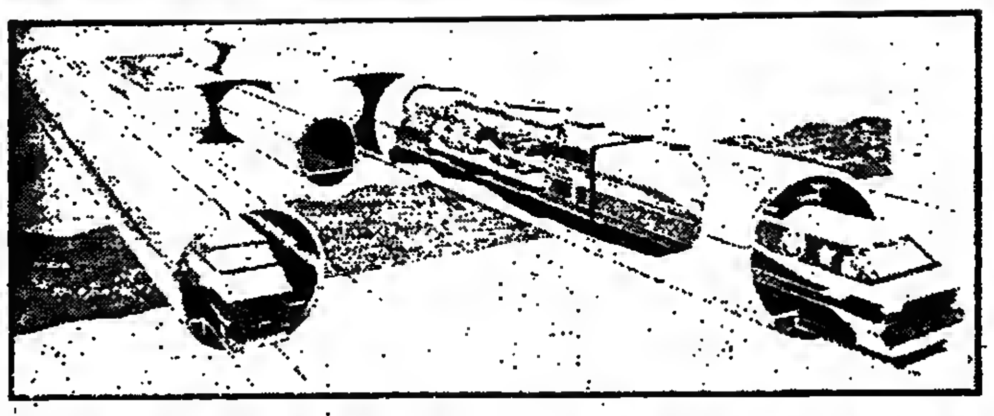
The bank debt not financed through bonds will be repaid within 15 years from 1987, once CTG-France Manche starts to draw on it. Any future road link would have to be financed as a separate project.

CTG and France Manche will have exclusive rights to run a fixed link up to the year 2020. The partners have undertaken to submit e proposal for e road link by the end of this century. But a go-ahead on this would depend on how traffic developed and whether the right technology was available.

CTG has said it will price its services about 10 per cent below the lowest ferry tariffs. Taking last year's rates, this would give an average one-way fare of around £50 for a car and passengers.

It expects that cross-Channel demand will total 67m passengers in 1993 against 48m in 1983. Of this, it calculates it will obtain 29.7m people, or nearly 45 per cent of the market. The ferry companies have promised a fierce battle.

The CTG scheme was the one which both Kent County Council in south-east England and environmentalists thought would be the least disruptive. Even so, it will bring major changes to the coast



Mrs Thatcher and President Mitterrand (top) sign the city of Lille's guestbook after announcing the agreement to build a fixed link between England and France.

An artist's impression (bottom) shows the two rail tunnels, with a service tunnel in between, of the winning scheme of Channel Tunnel Group and France Manche.

The 31-mile tunnels will take passenger and freight trains and car-carrying shuttles. It is hoped that the rail journey time between London and Paris or Brussels will be cut to just over three hours.

The £2.6bn project is expected to create about 70,000 jobs on both sides of the Channel during the construction. Work is due to start next year.

Tory MPs divided on support for rail tunnel scheme

BY KEVIN BROWN

THE UK GOVERNMENT will face "a grim uphill struggle" to get a bill authorising the Channel tunnel through Parliament, a Conservative MP warned in the House of Commons yesterday.

Mr Jonathan Aitken said many Tory MPs regarded the choice of the Channel Tunnel Group (CTG) and France Manche scheme as "game, set and match to the French."

He said Parliament would have to scrutinise the project closely in defence of British interests, which the Government had not had time to do because of the timetable for an agreement between the Prime Minister and President Mitterrand.

Mr Aitken was one of a number of Conservative MPs from coastal constituencies in Kent and Essex who protested against the CTG scheme, choice of which was announced in the Commons by Mr Nicholas Ridley, the Transport Secretary.

Mr Ridley won support, however, from several Tory MPs representing constituencies in north Kent, and from Mr Stephen Ross (Liberal MP for the Isle of Wight) for the Alliance.

Mr Robert Hughes, for Labour, said the scheme had the potential to match Britain's transport needs. But, with other Labour MPs, he pressed for heavy investment in British Rail to cater for long-distance freight and passenger traffic.

Mr Bruce Millan, a former Labour Scottish Secretary, said many Northern MPs would oppose the scheme because it would stimulate economic activity in the south-east, where it was least needed, and would widen the north-south divide.

Mr Ridley said the Government was united in support of the CTG scheme, which had been the objective of the Cabinet, and was achieved despite "a good deal of argument with the French."

He dismissed claims from both sides of the House that the Prime Minister had opposed the scheme because of the lack of a road tunnel in the original proposals.

Mr Ridley's announcement that the Government had decided to go ahead with a fixed link was greeted with shouts of "shame" and "disgraceful" from both sides of the House.

That was followed by laughter as he announced that the agreement with France envisaged a road tunnel coming into operation by 2020.

Mr Ridley told MPs during exchanges that a joint committee, including government officials, local authorities and the tunnel promoters, would be set up to investigate improvements to the scheme to protect the Kent environment and economy.

He said there would be a continuing role for ferry services to the European continent. The tunnel would act "as a sort of magnet for investment."

Mr Peter Rees, the Conservative MP for Dover and former Chief Secretary to the Treasury, said there was deep and legitimate concern about the project in east Kent. He called for close co-operation with local authorities and urged the Government to ensure that economic benefits were not drained away to France.

Sir Julian Ridsdale, the Tory MP for Harwich, said Mr Ridley's optimism about the future of ferry services was not shared by the operators. He urged the Government to make sure that the decision was not a "death knell" for the merchant marine.

Mr Teddy Taylor, Conservative MP for Southend East, asked why the Government was so optimistic about the project when the only comparable scheme, in Japan, had been a complete disaster.

The scheme was supported, however, by Sir John Wells, a Kent Tory MP, who said it would bring great long-term opportunities for employment in Kent.

Mr Roger Gale, another Kent Tory MP, said the CTG scheme would have the "least worst" effect on Kent in the short term. Mr Andrew Rowe, the Conservative MP for Mid Kent, said the Kent economy would benefit in the medium and long term but some local towns would find their inadequate road systems grossly overloaded in the short term.

Mr David Crouch, Tory MP for Canterbury, said he favoured a fixed link in the national interest but warned the Government that he had been unable to persuade his constituents. Another Kent Tory MP, Mr James Couchman, welcomed the scheme but regretted the lack of a road tunnel.

UK NEWS

Savings bank group may raise capital ahead of flotation

BY DAVID LASCELLES, BANKING CORRESPONDENT

TRUSTEE Savings Banks (TSB) might raise new capital by issuing loan stock rather than wait for the flotation that has been delayed by the legal wrangle over its ownership.

Sir John Read, the chairman, said yesterday that the group would be able to raise up to £350m if it needed extra resources to finance expansion or make an acquisition.

"Our immediate capital needs could be met from retained reserves and subordinated loan stock," he said. He also dismissed suggestions in the City of London that the TSB's expansion plans could be severely damaged by the delay.

The TSB reported yesterday that it made a pre-tax profit of £160.3m in the year ended November 20 last year, an increase of 10.1 per cent on the previous year's results. Sir John said profits might have been higher but for the sharp rise in interest rates in the early part of last year which squeezed the bank's margins.

The results enabled the TSB to transfer £96.9m into its reserves, which now total £806.6m. Had the flotation gone ahead as planned in mid-February, the TSB would also have received an estimated £1bn in new share capital then, which would have given it ample resources to build up its business.

The flotation has been postponed indefinitely by a Scottish court ruling that the TSB's net assets belong to its depositors and not to the TSB itself. Sir John said yesterday that it was still not possible to say when the flotation might be resumed, but he hoped it could be in the summer.

An appeal is to be heard on February 11, but Sir John expects the case to go to the House of Lords whatever the outcome. The group has already spent £12.6m on the flotation.

The results showed that the TSB is rapidly increasing its lending activities and running down its holdings of UK public sector securities, which have traditionally featured large on its balance sheet. Advances rose 36 per cent and now account for 40 per cent of the TSB's £11.5bn assets, compared with only 16 per cent in 1981. The aim is to raise this share to 70 per cent, according to Mr Philip Charlton, the bank's chief general manager, the level of the big clearing banks.

The bank still funds itself almost exclusively from its customers accounts, which total £10.2bn.

Fresh litigation will not delay flotation, says British Airways

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

NEITHER British Airways (BA) nor the UK Government expect that plans for the privatisation of BA will be delayed beyond this summer by the emergence of new legal actions in the wake of the Laker Airways collapse in 1982.

The new actions involve both a case brought by Ambassador International Travel of Los Angeles alleging violation of the US anti-trust laws between 1980 and February 1982, damaging Ambassador, and class actions by passengers alleging loss of cheap fares on the North Atlantic route because of the Laker Airways collapse.

Both are separate from the original allegation of conspiracy to drive Laker out of business, involving BA and other European airlines. That case has already been settled, after much discussion, by a payment by the airlines of $68m to creditors of Laker Airways and the lawyers involved, without admission of liability.

After settlement of that basic action BA, together with Pan American and Trans World Airlines, by agreement with the US courts, set up an additional fund of $30m in the US to reimburse passengers claiming deprivation of cheap travel because of the Laker collapse.

The Ambassador action came after the basic action. The Ambassador writ has now been served on BA, alleging violations of US anti-trust laws, but no sum for damages is specified.

BA said yesterday that it intended to defend this action "vigorously" and that its counsel had advised that it presented no impediment to privatisation.

A further action by former Laker Airways pilots and other staff against BA and other airlines is also pending, but no writ has yet been served on BA.

The Laker pilots believe that unlike other groups who were compensated the Laker collapse, the pilots and other staff were not. So far, BA has received no indication of the damages they are seeking.

Mr Colin Marshall, BA's chief executive, said yesterday that despite these legal moves both the Government and the airline retained "the strongest commitment" to privatisation as soon as possible.

● BA will move its long-haul international operations from the existing Terminal Three at Heathrow Airport into the new £200m Terminal Four at that airport overnight between April 11 and 12.

Top factors' business up 22%

BY FIONA THOMPSON

THE ASSOCIATION of British Factors yesterday reported a 22 per cent increase in business in the year to December 31 1985.

Factoring, a financial service aimed particularly at the small business community, is in essence a straightforward way of raising money. Factoring companies make money available against a proportion, usually up to 80 per cent, of its clients' sales invoices.

Under this service, called recourse factoring, the client pays if its customer's business fails. In the case of non-recourse factoring, the factor gives 100 per cent protection against bad debts.

Factoring companies assume responsibility for assessing the creditworthiness of clients' customers, the maintenance of a sales ledger, the dispatch of statements and the collection of money owed.

With an invoice discounting service, the client is responsible for its own sales ledger and accounts collecting but can obtain finance for up to 80 per cent of the debts owed to it.

The combined volume of business of Britain's eight leading factoring companies, which make up the association, grew last year to £4.6bn, compared with £3.8bn in 1984.

The manufacturing industry remained the biggest user of factoring, representing 46 per cent of clients, followed by 29 per cent in distribution and 25 per cent in services.

All sectors of the factors' services grew last year. Business covering clients' UK sales grew 13 per cent to £2.5bn and international business 14 per cent to £360m. The star performer was again the confidential service of invoice discounting, which increased by 40 per cent to £1.7bn.

Second company enters carton soup market

BY TONY JACKSON

SOUP IN a carton is catching on. After last summer's innovative launch of Crosse & Blackwell soups in a cardboard carton, competition has appeared from an unexpected quarter – a privately owned dairy company.

Healds Dairies, a Manchester-based group with sales of £55m, has come up with cream of tomato, cream of mushroom and cream of leek and potato in Tetrapak cartons. In the process, Healds claims, it has become the world's first soup-making dairy.

Tetrapak, one of the world's leaders in carton production, was left behind rather embarrassingly by the Crosse & Blackwell launch, which was engineering in partnership with the much smaller carton maker Bowater. In purely technical terms, the Healds venture does little to close the gap.

The real innovation of the Bowater method is that it allows the cartoning of soup with bits of meat, fish and vegetables in it. The new Healds soups are homogeneous, being little different in consistency from cream or custard, both of which already go into Tetrapak cartons.

From the marketing angle the new range is more significant. If the trend catches on, it might threaten a large market presently enjoyed by the tin can makers such as Metal Box.

Coal offshoot creates 3,700 jobs

BY MAURICE SAMUELSON

THE National Coal Board's (NCB) subsidiary for creating jobs in declining mining areas is proving twice as effective as when it was formed a year ago, Mr Peter Walker, Energy Secretary, said yesterday.

The company, NCB (Enterprise), has created about 3,700 jobs in its first year. That compares with the 35,000 men leaving the industry in the present financial year.

Opening an exhibition at the House of Commons on the activities of NCB (Enterprise), Mr Walker said thet when the company was formed it had estimated that it would take £5,000 to create each new job. As a result of success in attracting other financial backers, the present cost per job was less than £2,000

In its first year, £5.5m had been committed to creating more than 3,700 new jobs in 284 projects involving e total investment of £38m. NCB (Enterprise) was investing £750,000 a month in projects that were creating 500 jobs a month. Almost a third of the assisted projects had been started by former NCB employees.

Of the 3,700 jobs created, more than 1,000 were in South Wales. Scotland and Yorkshire had more than 600 each. Praising the NCB for "a remarkable achievement," Mr Walker said that on present performance for every £1 of NCB (Enterprise) money invested in new jobs a further £8 had been attracted from other sources.

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INTERNATIONAL TELECOMMUNICATIONS

Intelsat keeps competitors in the cold

By Nancy Dunne in Washington

IT WOULD not be a completely impossible feat to secure a settlement *in* Intelsat's war against private international telecommunications eystems.

The five entrepreneurs who want to compete for some of Intelsat's husiness and Mr Richard Colino, director-general of the global communications co-operative which transmits most of the world's telephone calls, could *gather* in the *frigid* depths of Mr Colino's spacious office in the gleaming-silver, glass-domed futuristic Washington headquarters of Intelsat.

There they would argue ideologies — capitalism versus worldwide co-operation—until one hy one, the businessmen or the director general are carried out with frostbite or pneumonia.

The odds would be on Mr Colino, who is used to the cold

Competitors 'would skim off profits from best routes'

and likes lt because it keeps him awake. With would-be competitors snapping at his heels, poised to thrust their smaller, more powerful satellites into his orbit, the director general cannot afford the luxury of an afternoon nap. Mr Colino, a formidahle adversary, a demanding perfectionist possessed of a caustic wit and an iron determination, has no intention of losing control of most of the world's transoceanic electronic cargo.

Intelsat, set up in 1964, carries abont two-thirds of all international telephone traffic (the rest is carried hy Government-owned regional systems) and almost all international television broadcasts. By most accounts the system has worked well, given the limitations of tha large satellites lt must use to service the entire world.

Bnt in the past 32 months, the organisation has faced the greatest challenge in its two decades of existence. The Reagan Administration has concluded that opening the market to alternative systems, operating business services, such as teleconferencing and television lines, is "in the national interest." It is in a sense an international re-run of the arguments which surrounded the break-up of the Bell System telephone network.

Intelsat officials say that the competition will skim off the profits along their most lucrative routes, which have historically subsidised the lesser used developing country services. American private systems, they say, will attract additional non-US competition and ultimately *lead* to *higher* telecommunications costs for the Third World, chaos in international communications, and the destruction of a multinational venture which has worked well.

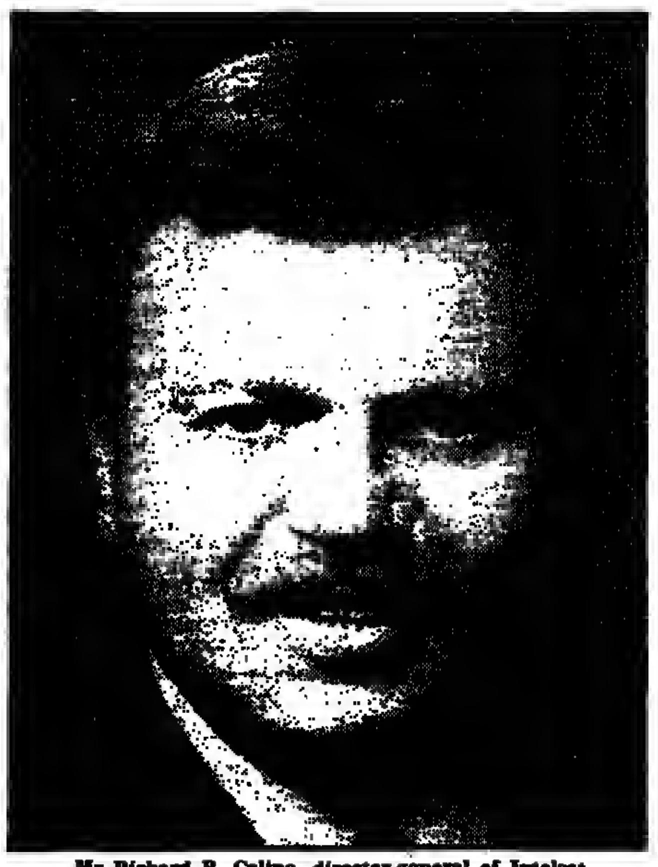
"The US created us by international treaty," argues Mr Colino. "We have advanced technology. We have lowered charges. We have diversified services. We have earned the right to continue."

Mr Colino assisted in the birth of Intelsat in 1964. In those days the US Government believed that "in the mutual self-interest of all nations more than one commercial system is undesirable."

It was because of his 20 years in telecommunications — most of it at Comsat, which provides domestic satellite services and is the US agent for Intelsat—that Mr Colino got the job. No American, he says, had been elected to head a multinational organisation, dominated numerically by Third World nations, since the 1960s.

Ironically, *Mr Colino*, who has fought the US administration every step of tha way in its plans to hreak up Intelsat, was initially supported for the post by the State Department, which sent telegrams to Intelsat members urging that Mr Colino's American citizenship should not be held against him. It was in March 1983, when he was campaigning for the job against three others, making a whirlwind trip of 16 countries in 19 days, that Mr Colino heard of Orion Satellite Corp, a small Washington-based private company, which was the first to ask the US Federal Communications Commission (FCC) for permission to launch a private system across the *Atlantic*.

Five other companies followed Orion's lead. RCA American Communications, tha best established, proposed to provide services to Europe and Africa but has since dropped out of the bidding due to overcapacity in satellite transponders; International Satellite plans two in-orbit satellites to serva the US and Western Europe; Panamerican Satellite (Panamsat) intends to launch a domestic service in Latin America and a regional video and andio distribution satellite service between the US and Latin America this year; Cygnus Satellite and Finansat. The latter plans to operate satellites over the Pacific as well as the Atlantic.



Mr Richard R. Colino, director-general of Intelsat

The filings triggered a battle as the would-be entrepreneurs have fought their case through first an intra-agency task force review, which culminated in presidential approval, a congressional battle and the FCC licensing process.

Mr Colino's foes accuse him of fighting dirty in his opposition to the private systems. They say that he has spent millions out of "a private slush fund" on expensive lobbyists in Congress and that he has presided over a campaign of "disinformation."

"There have been endless attempts by Intelsat, a foreign agent to trick Congress into condemning this American initiative," says Mr Thomas McKnight, an Orion partner. He *cites press reports of a fake* letter writtan on International Telecommunications Union stationery, opposing separate systems. A reporter claimed he had traced the letter to the Intelsat mailroom. Intelsat officials vehemently deny any association with the lettar.

Even before the issue reached *Congress, Mr Colino tried* to persuade the State Department to issue a statement that lt would not support separate systems if they would cause serious economic harm to Intelsat. Seventy-eight Intelsat member-nations wrote to the US government to protest at the introduction of private competition.

Under all the pressure, the Administration opted for what it calls "a balanced approach," and made the puhlic-switched networks which transmit telephone services off-limits to the entrepreneurs. The compromise was designed to minimise tha risk to Intelsat's revenues and to develop a free market *only for* customised business services.

When the squabbling got to Capitol Hill, Mr David Markey, then Assistant Commerce Secretary, presented the case for competition. Each of the applicants, he said, was proposing different but useful state-of-the-art satellite systems. These, he said, could he mnch more closely tailored to special emerging business communications needs than the general purpose satellites Intelsat had in orbit or on the drawing hoard.

In response, Intelsat officials urged foreign policy consideratione and warned that if Intelsat were weakened, Third World countries might report to the services of the Soviet regional system, InterSputnik.

Against the charge that Intelsat was an outdated monopoly, Mr Colino argued that monopolies do not cut prices 12 times in 20 years or offer the wide range of new services (300 in the past year) he has been developing.

In the end, Congress went along with the *Administration*, but Mr Colino got a valuable concession. Congress ordered the State Department to support a change in Intelsat'a charter, which now requires that everyone be charged the same price for a given service. A change to "flexihle pricing" would allow Intelsat to meet the lower prices of competition. It could also drive competition from the scene.

However, Mr Colino may not even need flexihle pricing. To keep the competition at hay, the separate systems need landing rights from a foreign partner. Mr Markey says half a dozen foreign partners would he necessary to make a system *economically* viahle.

Thus far, none of the 109 other Intelsat members has agreed to deal with the separate systems. Instead, at a meeting in November, they reaffirmed a previous resolution urging each other "to refrain from entering into any arrangement which might lead to the establishment and subsequent use" of separate systems.

"Somebody's going to do lt eventually," says Mr Markey. "Maybe the British. Maybe the French." "We're not going to go away," Mr Thomas McKnight, one of the two Orion partners, vows.

Meanwhile, satellite traffic has grown far less than was projected hy individual member countries. Transponders on satellites already deployed are going unused. Mr Colino is proposing to sell or lease on unused transponders for domestic telephone service et what competitors say are cut-price rates. This proposal has enraged Panamsat officials, who had hoped to usa some of their *transponders* in the same markets.

Mr Rene Anselmo, chairman

Entrepreneurs 'who act like a bunch of crybabies'

of Panamsat, fired off a letter to the New York Times charging that Intelsat had in the past leased its transponders for \$1.6m a year. Now that Panamsat is trying to sell its "hetter quality service at lower prices," Intelsat had dropped its sales prices to \$1.8m for the entire five to seven-year life of tha transponder, he said.

"I find it intriguing that people who call themselves entrepreneurs are acting like a bunch of crybahies," says Mr Colino. Intelsat officials deny that the document setting out a new Intelsat price and produced by Panamsat is "an official Intelsat document."

If the separate systems do get landing rights somewhere, they still must, under the terms of the Intelsat charter, pass through a process of co-ordinating their system with Intelsat so that tha co-operative is protected from economic harm. If Intelsat can prove that the harm would be irreparahle, the US Government might then drop its insistence on competition, says Mr *Markey*.

If it does not, then Mr Colino is bound to have more challenges for the entrepreneurs. Clearly, he will keep them out in the cold for as long as he can.

TECHNOLOGY

Patently absurd

Jane Rippeteau on moves to transform the Patent Office

CESAR MILSTEIN, a Cambridge University immunologist, might have been a rich man. He secured a Nobel Prize, but no patent, for the work in 1975 that he and colleagues did on monoclonal antibodies, the base technology for a vast and promising sector of medical diagnostics from which others now stand to profit hugely.

This is the sort of thing that the British Government wants to rectify. With its latest plan to turn the Patent and Trademark Office of the Department of Trade and Industry into a quasi-independent body, the Government believes it will convert a sluggish and cumbersome group into an engine of support for Britain's innovators.

Had the switch occurred in time for Milstein's work, "we'd have been in there telling them what to do" to patent the seminal invention, says Victor Tarnofsky, assistant controller in patents. "You won't get a patent if it has been disclosed to the public first. That's lesson number one, and is the sort of thing we will be telling people."

The Patent Office has already increased its profile by taking out newspaper advertisements and moving out of the office to advise on patenting. That is only the beginning. It hopes to start marketing specific services, such as translation and access to its data base of patents, for a fee. And while patent law will not change, the patent process may be in for some tailoring, says the Controller-General, Mr Philip Cooper.

"The hope is that, free of the Civil Service framework, we will be more entrepreneurial and of more help to innovators in this country," he says. The office is about to launch a marketing study to pinpoint which services would be commercially feasible for it to offer. The office already operates at a profit.

The changes, however, will do little to alleviate what patent applicants seem to complain about most—the costs of acquiring patents through a process lasting up to three years and later defending them. "I stopped taking out patents four or five years ago," says John A. Cochrane, managing director of Cochrane of Oxford, a developer of educational equipment. "It is increasingly expensive and you have to get a worldwide patent to make any sense."

Mr Cochrane, also national chairman of the Association of Independent Businesses, says it can cost up to £20,000 to secure a patent covering the main manufacturing markets. "For small companies, the patent is less and less realistic."

Indeed, patent applications in the UK are down drastically. Mr Cooper notes that since the creation of the 11-nation European Patent Office, UK applications have dropped by half to about 30,000 in 1985. Patents' grants were down to about 18,000.

Some of this business may have been soaked up by the European body, which began taking applications in June 1978. In total, the office has taken more than 200,000 applications and awarded about 46,000 patents. In the first half of 1985, a quarter of applications came from the US and nearly as many awards went to it. Japan accounted for 17 per cent and 12 per cent respectively and West Germany weighed in with 22 per cent and 28 per cent. The UK total was 7.5 per cent of applications and 6.5 per cent of awards, according to the EPO.

The advantage of filing with the EPO is that a single application can cover multiple countries. Costs, though, are substantially higher. In addition to about £2,000 in administrative fees over three years, a patent holder must pay for translation into the language of any country covered. By contrast, a UK Patent Office filing costs under £200 in fees. But as officials admit and applicants complain, huge additional costs are incurred hiring specialised patent agents to shepherd an application through.

Mr Tarnofsky says about 90 per cent of UK applicants use agents.

Changes in this cost structure or in the patent procedures itself are not in question. The UK Patent Office simply wants to free itself of bureaucratic constraints in order to woo and advise applicants, especially small ones intimidated by cost and complexity.

Perhaps the most interesting service officials are considering is one that would unleash the vast data base of invention that the Patent Office holds from years of filing the technical discriptions of curiosities from Cats' Eyes on the road to aluminimum-lithium alloys for the aircraft industry.

One of the officials' hopes is for the provision of low-cost access to the data, possibly by telephone—a service that could cut time, cost and headaches.

The EPO is considering a similar resource. "We're capable of putting it on the market and selling it," says an EPO official. But he says that questions of whether and how to provide access are not resolved.

First make sure your invention is new

HISTORY RECORDS that Queen Elizabeth I refused to grant a patent for a water closet on the grounds that it might encourage impropriety.

That is unlikely to be an objection to most applications presented nowadays to the Government's Patent Office—although it does have the right to refuse to grant patents to inventions which might promote "anti-social behaviour." There is nevertheless a strict procedure which has to be followed in filing an application.

Ownership of a UK patent gives an inventor a monopoly on the use, manufacture and sale of a product within the UK. It also gives him the legal right to prevent rivals from exploiting the product without his consent.

Before applying, the inventor should first establish that the invention belongs to him: it may be that it belongs to his employer, if he arrived at the invention in the course of his normal employment.

He should also establish that the invention is new: this will probably mean checking through library records which hold patent specifications or abstracts. Such records are available in the British Library's Science Reference Library in London, which has a databank of about 2m British patents and 23m foreign patents.

The invention must also be capable of an industrial application.

There are certain "excluded" inventions: for instance, a mathematical method or computer programme would not be patentable unless it had a definite physical application.

Once conditions are satisfied, the inventor must use official forms from the Patent Office to submit a full description of his invention and a filing fee (£10 in 1985). Once an application has been made, the Patent Office conducts a search (£80) and finally a full examination (£95) if warranted. It may be advisable to use a registered Patent Agent.

Furthermore, the inventor has to take responsibility for checking that his patent is not infringed by rivals trying to cash in on his invention. In English law, infringing a patent is a civil wrong, and not a criminal offence. Consequently it is up to a patent owner to go to the High Court to seek legal redress (which can include damages) if he discovers a case of infringement.

NICK BUNKER

Nervous duplicators in move to halt a bloody price war

Video & Film

BY JOHN CHITTOCK

IF ONE traditional printing company claimed about 40 per cent of the UK market, no one would believe it. Yet one company in the fastest growing rival industry, video duplicating, is claiming just that, and probably accurately. The company is Rank Video Services, UK market leader in the duplication of pre-recorded video cassettes—an industry which has grown from almost nothing to a turnover of tens of millions of pounds in only a few years.

Anyone entering a video duplicating house for the first time may find the experience absurd—like seeing those windscreen wipers on Concorde. Racks and racks of video cassette recorders (in Rank's case, about 2,500), each slavishly making one real-time copy from a remote master unit which may be driving all of them at once. Every machine is loaded by hand so that if a rush order is received, like the 10,000 copies of a movie blockbuster handled by Rank in four days before Christmas, there can be some hectic running between the aisles.

The industry is continually trying to introduce a different technology for mass duplication, running cassettes at a much higher speed than real-time; one ingenious method relies on magnetic transfer by a process analagous to contact printing. But the video duplicating business is still cautious about high-speed systems on grounds of both capital cost and quality. It continues to do it the hard way.

However, all is not a happy hum of whirring capstan rollers. Despite the UK consumer industry being dominated by only six duplicating houses, there are constant fears of over-capacity and this side of the video industry has suffered a bloody price war. On a large order for a typical movie, the distributor may be paying a mere £2.85 a copy—and with the recent arrival of so-called budget video using lower grade tapes, the price can fall to £2 or less.

The pressure on price has come from the distributors, who recognise that the viability of consumer video may be in question as long as some movies can still cost a viewer £40 or more. A sign of the free market economy recently hit the UK industry with the arrival in Woolworth stores of the Video Collection—selling movies at £6.99 (including a few classics such as High Noon).

The duplicators, however, are saying enough is enough. They eye nervously the recent problems at Kay Laboratories, a family-owned business which ran into a financial crisis and has now been taken over by MGM. Kay was one of the traditional film laboratories which, like Humphries, suffered from the decline in film processing and diversified into video.

Rank had done likewise; but with the film and video activities separated and the film laboratory doing well, Rank has had the management muscle to weather the storms, as well as the resources to cope with bad debts.

> Some US forecasts predict the country will produce 100m pre-recorded video cassettes this year

The consumer video industry is notorious for cash flow problems and those in the video duplicating business stand uncomfortably in the middle. With their bulk business servicing the volatile high street outlets (via distributors), turnover can be very unstable. But the commercial and industrial sector, which puts more priority on service than price, is now helping to smooth some of the bumps.

Where as the average industrial or corporate customer would rarely order more than 20 copies of a 16mm print (but more generally between five and 10 worth perhaps £350 to £700) video has changed all that with the wide availability of VCRs making mass distribution relatively easy. An industrial order for video copies may easily range between 500 to 1,000 cassettes, worth between £1,500 and £3,000.

More significantly, industrial customers sometimes place huge orders which would have been unthinkable with 16mm film. Thus British Telecom is distributing 10,000 cassettes containing a 30-minute public relations magazine programme—offered to telephone subscribers on the "watch-and-wipe" basis; viz, a three hour videocassette costs the BT customer only £4.75 including postage—comparable with the retail price of a blank cassette.

Duplicating houses drool over the prospect of orders of this size. And whenever a takeover bid hits the City, the video industry will be fighting for the business.

In the UK, the next year or so will be competitive for video duplicating houses, as Britain approaches saturation level in consumer video. Europe offers prospects for expansion, with only significant duplicating capacity in West Germany, France and Holland. Rank claims 30 per cent of the European market, although, curiously, other UK competitors have yet to crack this market.

The fast-growing sector is the US, still catching up with UK in percentage penetration. Some US forecasts for 1986 reckon on more than 100m pre-recorded videocassettes being produced there this year.

Mr John Martineau, who was involved in Kay Laboratories, has turned his sights to a less cut-throat end of the business — more appropriate to the technical and bespoke skills of moving pictures. With Programme Technical Services, he is leading a team that has moved out of Soho into the more cerebral climes of Milton Keynes. Here PTS is providing a television/video service to interface the complex needs of satellite TV, cable and video.

It typifies the decision which faces investors and managers as the moving picture business undergoes a metamorphosis. Are we in the manufacturing business or the technical services industry? In volume turnover or top end of the high-tech tech? After a slow start, Mr Martineau believes PTS is on the brink of a breakthrough.

Head for a better image

TOSHIBA has developed a colour video camera system with what it claims to be the smallest camera head devised that uses a charge coupled device image sensor.

It says the head, 45mm long and 16.5mm in diameter, produces higher quality images than conventional 12.5mm (half-inch) video cameras using electron tubes.

The thumb-sized head works independently from most of its associated electronic circuits, enabling it to meet a number of needs. For example, it can be incorporated into the tip of a robot arm without enlarging the arm's size greatly.

Images formed by a wide-angle lens on the device are turned into equivalent electrical signals and sent down two metres of cable to a small electronics unit where they are processed into standard TV signals to feed monitor, videorecorder or computing equipment.

Hand-held data terminal

HUSKY COMPUTERS of Coventry has introduced a battery-powered hand-held portable data terminal, the Helmsman, suited for use in cellular radio systems or in other remote field applications where data has to be transferred to and from a central mainframe computer.

The terminal, which can be connected to the radio and to a serial printer, can store 174,000 characters of text. Powerful software is provided for file management, editing and communications.

Helmsman, which is weather and shock resistant, weighs 1.3 kg and costs about £1,000 in the UK.

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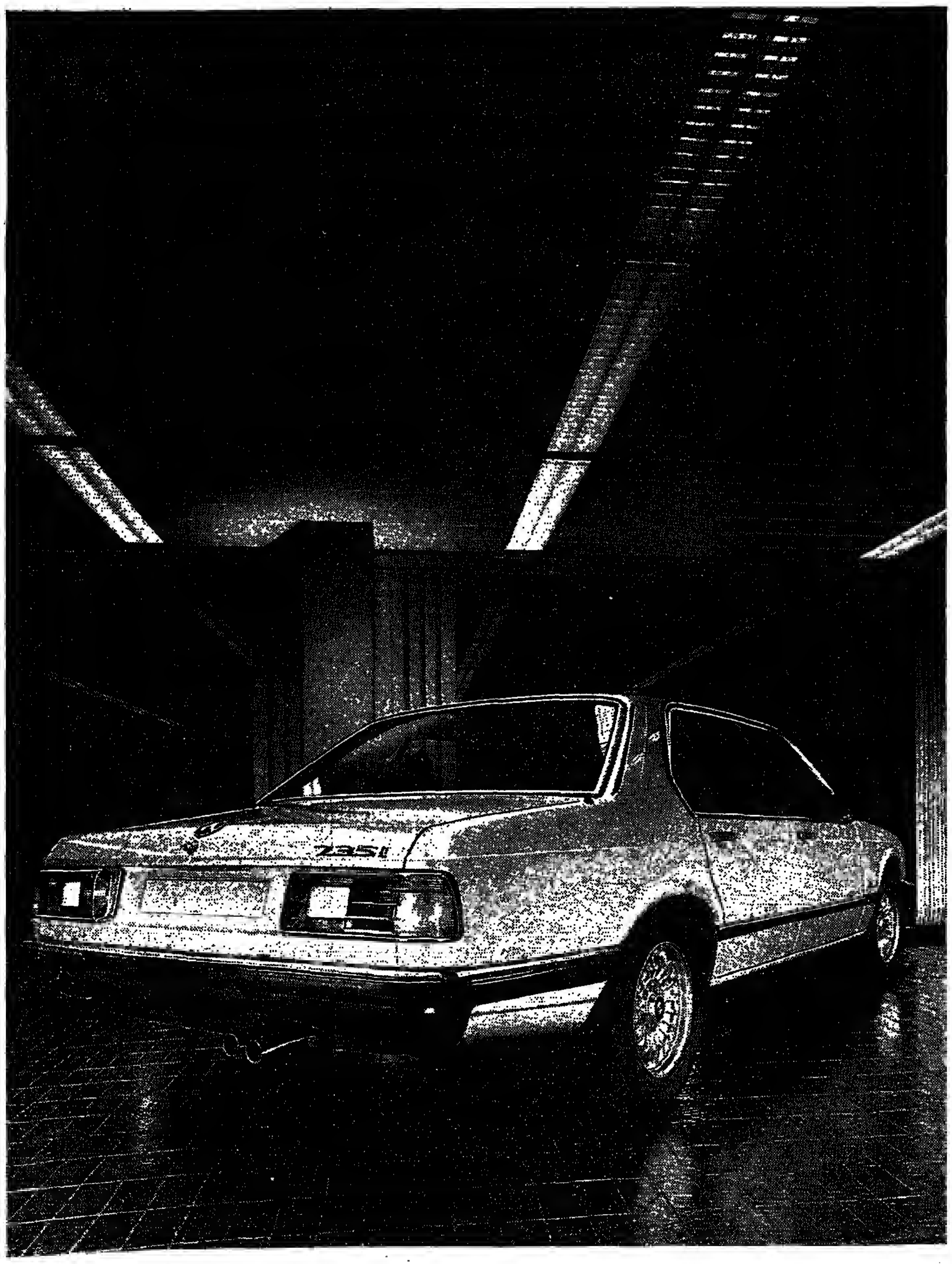

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THE ARTS

Royal Academy/William Packer

How genius fell victim to ambition

Sir Joshua Reynolds was a central figure in the cultural life of 18th-century England, a period when the worlds of arts and letters, politics and society, moved together in natural and easy intercourse. He proved himself as an artist over a long career, but had his painting been unremarkable, to have been instrumental in the founding of the Royal Academy as England's principal exhibiting and first true teaching institution would have been achievement and fame enough.

The Acedemy is honouring thet echievement with an examination of the life's work. *Reynolds* (of wbicb a truncated version has already been shown in Paris), is sponsored by the National Westminster Bank and remains on view in Burlington House until Marcb 31. The excellent catalogue is publisbed in association with Weidenfeld & Nicolson at £10.90.

It does not follow necessarily that Reynolds was a great artist. The interest and velue of this exhibition lie quite as much with the prejudices and doubts about the work wbicb are confirmed as with tbe many surprises and insigbts. Reynolds was nothing if not ambitious, measuring himself against the stendards aet by tbe maaters of Venetian and Dutch painting in the 16tb and 17tb centuriea, whom he studied deeply. The jouroey he made to Italy in the early-1750s before he was 30 simply confirmed that ambition to echieve those heigbts in the grand and public manner of the formal portrait.

It is too easy to mock Reynolda as a flatterer and fawner upon the great, e reesonebly talented heck who prospered by marketing his work by the square foot at a standard rate and running it off his studio production line to order, sittings booked on the hour, every hour, and a squad of assistants doing tha donkey work of drapes and circumstance. But what do we expect? We are fixed too much in the romantic view of the artist wrestling with his creative conscience and personal integrity, uncompromised by commissinn and expectation; and it is unfair, to edapt George Eliot's wise Mr Farebrother, to translate our modarn critical convenience into earlier men's duties. Portraits are portraits, and in producing a commodity upon which his clients could rely in the public face and image it conferred upon them, Reynolds did no more than Van Dyck and Veronese. Rubens and Titian had done befnre him. As for the production line, large paintings taka more time to make than little ones, and even longer without assistance.

However, wbatever Reynolds managed in the way of honorehle emulation of bis heroes, the early rooms of the exhibition show it to have been achieved more by solid application end perseverence than by any easy telent or facility. The early work is stiff and awkward in the conventional English menner of the 1740s, often of great cbarm but reflecting the limitations of Thomaa Hudson, tha painting master to wbom Reynolds' scholarly, provincial fetber bed first apprenticed him. Even so, a truly personal and growing painterly authority in pose and bandling does hegin to emerge before the decade is nut in such works as the putative Wicked 5th Lord Byron (c 1749), all brazen dissimulation, and in the naturally dramatic image of the painter himself sbading his eyes before the canvas (1747).

Portrait of Garrick between Tragedy and Comedy by Sir Joshua Reynolds

But the Italian visit, with the direct experience it gave him of Italian peinting, both old and new—to come npon Batoni was to be persuaded that bis was an example be did not wish to follow—is the turning point in his career, and the making of the mature artist. Thereafter, aa we discover in the portrait of Mrs Hugh Bonfoy (c 1755)—severe in ber old-fashioned attitude but for ber animation and a flurry of silk and ribbons—there is e new confidence and freshness.

By the end of tha 1750s Reynolds had only the Scottish painter, Allan Ramsay, to dispute his position as the leading portraitist of the day. But for all the virtues of the smaller and more intimata work, certain doubts and misgivings remain. Reynolds may have made the higger splasb but always it was Ramsay, more subtle and neturally delicete, who made the cleaner entry. Not until be moved well into his forties, with tha 1760s, by which age Van Dyck was already dead, did Reynolds come by a reliable ease and confidence of handling in his more ambitious works.

The selection of full-lengths that fills Gallery III brings together some splendid images—the saucy and notorious Lady Worsley in ber riding habit (c 1781), the delicious Lady Bampfylde (1777) and the portrait of tha Duke of Marlborough with his family (c 1775), which is perhaps the most ambitious work of all. But it also makes the same point, for in embracing the whole of Reynolds's middle maturity, from 1753 until abont 1780, it must abow up that earlier character, for which such paintings as the Elizabeth Gunning (1758), or the awkwardly dramatic Commodore Keppel, his early benefactor (1752), stand in evidence. Throughout his life Reynolds remained prone to deficiencies in drawing, slackness in composition and improbable enatomy.

That be shonld rise above such faults so often is a mark of the man's determination, and perhaps his talent. Indeed, though the exhibition towards its end presents us many times with classical sentimentality writ large, tucked away in the final room nf paintings are two mala full-lengths, one almost the last be made before bis eyes gava way, that are possessed of a magnificence, quite as grand and free in their manner as in their image: Colonel Coussmaker leaning negligently beside his borse (1782), and Lord Rawdon atanding so swaggeringly akimbo, bat in hand (1789).

As for his genlus, the thought nags away as we move past hia great machines that it lay elsewbere, the neglected victim of just that midirected ambition which it somewhat perversely stimulated. For Reynolds really was most personal, direct, most sure and true to bimself when he was working small, painting the bead and tha face before him. He painted bimself many times, bis friends and acqnaintances, their wives, and pretty actresses, and always with them there is a sense of engagement with cbaracter and experience. The wistful Mrs Abington still bolds our entire, unqualified attention (1771), as does Kitty Fisher (c. 1761) in an unfinished, quite exquisite study. But would Reynolds tha mere face painter have made sucb a splash?

The Spanish Bawd/Glasgow

Michael Coveney

La Celestina by Fernando de Rojas is one of the great seminal works of Spanish literature and was a major influence on the Golden Age of drama with which our theatre has letely been fascinated. The book, written around 1500 in sixteen acts, was certainly read aloud or performed in the early part of tha 16th century. The Glasgow Citizens' turned up e prose drametisation by James Mahbe which dates from 1631, the year of Donne's daeth and of Dryden's hirth.

It is an extraordinary discovery, a sort of rude and angry balf-way bouse between Shakespearian comedy and Websterian excess. The bawd Celestina manipulates the affections of the doomed lovers Calisto and Melibea and of ber edopted aon Parmeno, while varioua servants indulge in deceit and doubledealing on a scale that makes a Restoration plot like *The Way nf the World* sound uncomplicated.

It is not Philip Prowse'a fault, therefore, that his production, especially in the first act, is difficult to follow. There is no problem about watching it: Prowse has designed a whitewashed maze nf streets and corners with an npper level cut off from the sky by a great torn and hanging yellow canopy: Gerry Jenkinson's lighting can supply sun-baked holiday mood as well as dangerous twilight for the brawls and stabbings of tha second act (the play, running et nearly three bours ia given in three sections). A cast of six doubles up above and beneath stairs, with Dennis Knotts leeding e quartet of extras as the nnsavonry hit-man Crito who responds callously to sucb instructions as "I would bave him beaten but not slain."

The company has forged a sinister visual world from Rojas and Mabbe, studded armlets and greet robes in browns and blacks contributing to that distinctive Prowse "look" of fentastical contemporaneity; this allows for the various diagnoses of Celestina's craft to prosper in a convincing way — is she a witch, a freak a sorceress or an agony aunt trying to earn an honest bob?

You never quite know with Robert David MacDonald'a occupation of the role, but in his scarlet robes, swathes of gold chains and head band of dangling brass medals he could be any of these and perhaps a fortune-telling Mademe of an insalubrious brothel to boot. It is a performance of even, ambiguous execution which eschews camp and pantomime cliché as well as the sort of comic brio you would expect from, say, Beryl Reid. The vocation of bawdy — "she would move hard rocks if sbe list and provoke them to luxury" is nne of her earlier reviews — is obviously second nature and Mr MacDoneld goes about the business with not a single overcooked gesture (psychological or physical) and e frankly errant Glaswegian accent.

Similar throwaway use is made of Birmingham and West Country inflections, partly to differentiata one character from another, partly as e curious spur to the type of unnaturalistic provocative playing Prowse ia always seeking — Anne Lambton is almost grotesque as the scbaming Lucrecia, her mimetic dumb ahow in severe contrast to her more sheepish Areusa, the girl in love with Parmeno. You might not like what she does, but it is fulsomely ambitious.

Kate Kitovitz is more sedate, liquid even, as Melibea (and Elicia), she alone encouraged to raise the emotional temperature when the price of forfeitiog her virginity must be paid. There is good work, too, from Dominic Arnold as a Bowie-ish selfcentred Calisto and from Jonathan Phillips es Parmeno, the outraged harbinger of truth who follows tbe fashion of the times in debasing himself at Calisto's hands.

The dark pettern of tha play, its vigorous expression and cumulativa violence, its bizarre Jacobean use of a clothing property, its grim narrativa singlemindedness, all these elements are fully bonoured in a production that is et the least e collector's item, at the most a compelling spectecle. Mr MacDonald is finally allowed to remove his exotic attire as Pleberio, a bereaved Renaissance father stalking tha stage with en encased skull, teft comfortless and alone in a valley of tears.

The Merchant of Venice/Leicester Haymarket

Martin Hoyle

Is it merely Anglo-Saxon puritanism that makea one uneasy at this enjoyable, fast-moving production at Leicester Haymerket's little Studio theatre? Enjoyable it certainly is—not a word easily applied to *The Merchant* in the late 20th century. Therein lies the main defect of Micheel Joyce's neat and ingenious chamber production. The seven-strong cast of thoroughly pleasant young people skima over the play'a nastier implications, and solves the problems raised by the portrayal of Shylock by ignoring them.

Midway through its season of classics, the Studio is entertaining full and attentive bouses. I have been warned that Brecht's *Baal*, in Christopher Logue's translation and directed by Nancy Meckler, may yet startle the tolerant burghers next month. Meanwhile, no offence will he taken, and none, patently, is meant, at this cheerful whizz through an Edwardian version of the story.

One interesting shadow is cast hy John Baxter's Antonio, the merchant himself, a morning-suited exquisite in grey spats, whose opening melancholy is almost explained by tha slightly precious tone of his enquiry about his young friend's wooing nf Portia. Not noticeably cheered by the nutcome, his haleful presence, one feels, may well hover disruptively over the Belmont ménage for some time.

Besides Bassanio, Michael Bray plays Portia's other suitors as a Rudolph Valentino double. His Morocco is an un-sent up scimitar-brandishing shelkh; his Aragon, in bolero jecket and hroad-brimmed hat, resembles a professional tango partner. He avoids the wrong sort of laughs on "Ob hell!" and the blinking idiot; and deals well with the Christmas cracker couplets in the caskets.

Michael Bray (left) and John Baxter

Alexandra Mathie's sturdy Portia (she doubles as a deep-toned Salerio) speaks the verse splendidly and makes the jokes aboot ber wooers really funny. Typically of this prodnctioo, the quality of mercy speech is no set-piece but a rather surprised reply to Shylock's enquiry: hrisk, conversational and consistent with the generally intimate, anti-rhetorical approach.

This operates in favour of David Fielder'a Shylock. Quiet, intense, watchful, he — or the director—underplays the knife-sharpening, but musters a fair amount of repressed rage for the trial scene.

Stephanie Howard's designs for the semi-round place, the odd half-pillar and block of masonry before the backdrop of a gilt-framed Venetian painting which suddenly rises to reveal Belmont, a *chaise-longue* and candelabra still within tho frame.

A buoyant and streamlined versioo of the play, then. The clowns are heavily cut, Old Gobbo totally (to one's guilty relief). But the leck of an overall vision leads to each scene emerging as a separate entity, and leaves us uncertain about Shylock, let alone bis adversaries. A fleet-footed production that turns into a niftily evasive side-step.

Mahler, Schubert/Festival Hall

Max Loppert

The programme that Gary Bertini and the BBC Sympbony presented on Sunday evening was apparently just e little too far out of the ordinary to draw a large audience; but all who heard it will surely have been glad and grateful. The Adagio of the Mahler Tenth Symphony is, in fect, no longer a concert rarity, but that does not make it a less demanding experience for the listener when clearly and cogently set out.

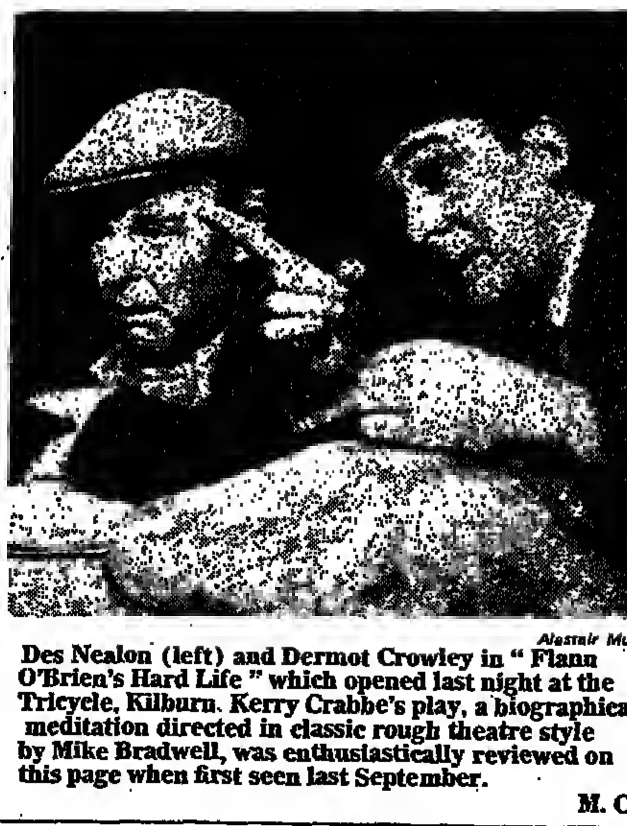
As a Mahlerian, Bertini operates hy persuasion, not by main force. The long single-voiced lines, seemingly wayward, and the nostalgically ricb F sharp major full-choir utterances into which they suddenly merge, all gave the impression of moving at their own natural pace nf statement; the lawyers of irony, pathos, and dramatic power were tended with an exact but never self-dramatising conductor's band. In terms of tone quality, the individual "voices" — especially the opening violas—lacked proper bloom and weight. Bnt this was a performance to wbich ona listened, hard, and with reward — and in these Mahler-sated days this is praise rarer than perhaps a critic likes to edmit.

The mature Schubert Mass that followed, for which the 30-strong BBC Singers (in excellent form) were on the pletform, was not the familiar, radiantly enphonious Fifth in A flat, but the Sixth and last of the series, in E flat. "A failure... characterless fugues ...glntinous 'Victorian' harmonic progressions" are the principal items of its comprehensive dismissal in the old Penguin *Choral Music* compendium.

It is always specially satisfying to have judgments of this kind, on wbich a generation of choristers was reared, exploded in a single hearing. Imperfect balance between its parts *can* be detected without much difficulty; for the listener soon comes to feel a certain disunity between Schubert's consciously elaborate (and not always convincing) contrapuntal movements and the peculiarly chaste, fastidious romantic beauty of the others.

In the latter, the power lies above all in the ahility to discloae secrets only gradually; and it is these one remembers. Vocally and instrumentally, Schubert traces curves that are smooth and contained, yet flickers of chromatic barmony lend them a strange glow, and impart to eacb detail a quiet intensity. From this poiot of view, the performance began sluggishly, with the gentle opening quaver propulsion in the string bess badly blnrred; but quite soon it developed an admirahle fluency, an unexaggerated refinement of blend and halance.

The five soloists have little of importance to sing, with the exception of the rippling A flat "Et incarnatus est." This aolo trio, sublime passage of Schubertian dream-fancy, was introdnced by two good tenors, Anthony Rolfe Johnson and Adrien Thompson, and later joined, and alas! apoiled, by the white-voiced, under-the-note soprano, Margaret Marshall.



Alastair Muir

Des Nealon (left) and Dermot Crowley in "Flann O'Brien's Hard Life" which opened last night at the Tricycle, Kilburn. Kerry Crabbe's play, a biographical meditation directed in classic rough theatre style by Mike Bradwell, was enthusiastically reviewed on this page when first seen last September.

M. C.

Nikolai Petrov/Elizabeth Hall

David Murray

Efficiency, stamina and chunky strength are wbat mark Petrov'a playing, along with a modicum of conventional good sense. (According to bis publicity, this paper has declared him to be "among the master pianists of our day," but none of us here recalls saying so). On Sunday afternoon, however, he offared en enterprising programme nf giant transcriptions—the sort of thing that not many pianists can get their hands around, nor would dare to try in public: good for him, and interesting in its own right.

Liszt made bia aolo piano version of the Berlioz *Symphonie fantastique* soon after the première. It was an historical landmark in piano-writing, and of conrse outrageously difficult (though very faithful to Berlioz, witbout added kinks). Idil Biret's brave performance here a few yeers ago often conveyed true Berliozian *frissons*, despite bendfuls of wrong notes; tbere weren't so meny finger-slips in Petrov's eccount, bnt not much magic either. Orcbestral colours—the point of Liszt's exercise—were hardly realised. It waa all befty, indefatigable pianism, low on contrasts and atmosphere. Trills and tremoli ohtruded loudly when tbey should have been faint rumbles and shimmers, and rhythmic continuity was slack.

For all that, it was worth hearing—the next opportunity may be years away. And Petrov returned efter the interval in distinctly more elegant form with e real rarity, Bizet's solo transcription of the Saint-Saëns Second Concerto, as well as the now femiliar version of *La Valse* by Ravel himaelf. The main challenges of the Bizet/Saint-Saëns are the origioal solo writing itself (often reteined intact), wbich Petrov bas no doubt been performing for yeara, end—trickier still—the passages where the solo virtuosity bas somebow to eccommodate the main orchestral elements too. Here Petrov offered more than just efficiency: nothing mucb like wit, nor a *soigné* Gallis line, but assured brilliance and terrific despatch.

La Valse sounded hasty, its tunes crowded unceremoniously upon one enother. One suspected that Petrov doesn't appreciate refined decadence of this nrder. He added nn particular spice to the melodies, nor did he capture the insinuating lilt nf the beat. Like other amhitious players he contrived to incorporate even more of the orchestra *furbelows* than Ravel was prepared to do, but they tended—as in the Berlioz transcription—to invade the foreground and thicken the texture. Young Louis Lortie did as much with fer more grace in the Wigmnre Hell last November, and with a mucb keener sense of the disturbing undertow of the music. Petrov ia probably too mucb the healthy, honest Soviet worker to come to sympathetic terms with it.

Guide to museum treasures

The National Art Collections Fund has released its first major publishing venture for many years—The Fine and Decorativa *Art Collections of Britain ond Ireland*, wbich covers the treasures to be found in 400 museums and galleriea.

Lavishly illustrated the boc draws attention lo the special collections in many lesser known museums. Publisbed with Weidenfeld end Nicholson, it costs £30.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 17–23

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: Royal Ballet in Manon. (240 1066).

PARIS

La Traviata co-produced with the Teatro Comunale of Florence and New York's Metropolitan Opera conducted by Zubin Mehta/Rico Saccani in Zeffirelli's production. Violetta is sung by Cecilia Gasdia/Etelka Csavlek, Flora by Eva Saurova, while the role of Alfredo is alternately held by Giacomo Aragall, Neil Rosenhein and Manfred Fink. Paris Opéra (4266 5022).

Spectacle Group "39 bis de Mémoire" in Wilfride Piollet's and Jean Guizerix choreography at the Opéra Comique (4296 0611).

Black and Blue. A swinging black revue brings back the mood of the 1920s with melodies by Louis Armstrong, Duke Ellington, Fats Waller at the TMP-Châtelet. (4233 0000).

NETHERLANDS

Arnhem, Stadsschouwburg. The Opera Forum production of Pelléas et Mélisande (Tue, Thur). (4227 41).

Amstelveen, Cultureel Centrum. Orpheus in the Underworld from the Munich Touring Company directed by Kurt Rösler, with soloists, choir and orchestra under Paul Popescu (Tue). (45 84 44).

The Nederlands Dans Theatre with Sinaphai by Nacho Duato to music by Xenakis and Vangelis, Hans van Manen's Ballet scenes and Jiri Kylian's Lieder eines fahrenden Geseöen (Mahler). Mon in Nijmegen, Schouwburg (22 11 00); Tue in Tilburg, Schouwburg (43 22 20); Wed in Den Bosch, Casino (125 125); Thur in Eindhoven, Schouwburg (11 11 22).

Amsterdam, Carre Theatre. The National Ballet in a free interpretation of the Bacchae by Euripides. Directed by Gerardjan Reinders with music composed by Boudweijn Tarenskeen (Tue to Thur). (225 225).

ITALY

Milan, Teatro Alla Scala: The Salzburg Festival production of Luciano Berio's Un Re in Ascolto with libretto by Italo Calvino. The production is by Goetz Friedrich with scenery by Gunther Schneider-Siemssen. In the cast are Victor Braun, Heinz Zednik, Sergio Tedesco, Rebecca Littig and Rohangiz Yachmi. (80 91 26).

Turin, Teatro Regio: Luigi Dallapiccola's Ulisse conducted by Milan Horvat. Production, scenery and costumes by Silvano Bussotti, Walter Alberti, Maurizio Barbacini and Carlo Besto. (54 80 00).

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Aida with Anna Tomowa-Sintow making her debut in the title role and Giorgio Lamberti and Ingvar Wixell. Zar und Zimmermann has e new cast with Gudrun Sieber, Donald Grobe and Peter Maus. Ariadne auf Naxos features Janis Martin, Ruthild Engert and Gerd Feldhoff. Fidelio is respectable with Ingrid Bjoner brilliant as Leonore. Die lustigen Weiber von Windsor rounds off the week. (34 381).

Hamburg, Staatsoper: My Fair Lady has Gabriele Ramm as Eliza Doolittle and Boy Gobert playing Henry Higgins. Otello, sung in Italian, is well cast with Julia Varady, Vladimir Atlantow and Piero Cappuccilli. Der Fliegende Holländer brings together Lisbeth Balslev, Robert Schunk and Kurt Moll. Wozzek returns. (35 11 51).

Frankfurt, Opera: The highly-acclaimed production of Die Trojaner produced by Ruth Berghaus has Anja Silje and Rachel Gettler in the main parts. Dido und Aeneas with Glenys Linos as Dido and Valantin Jar as Aeneas is conducted by Michael Boder. Also Fidelio. (25 621).

München, Bayerische Staatsoper: Arabella stars Marjana Lipovsek, Lucia Popp and Wolfgang Brendel. (21 851).

VIENNA

Staatsoper: Lucia di Lammermoor conducted by Zedda with Gruberova; Faust conducted by Lombard with Benackova-Cap, Renée, Jahn, Araiza, Raimondi, Weikl; Gala conducted by Levine with Baltsa, Gruberova, Freni, M. Price, Leonie Rysanek, Araiza, Kraus, Prey, Weikl. (Wed). (5324/2655).

Volksoper: The Beggar's Opera; My Fair Lady; Hänsel und Gretel; Das Land des Lächelns. (5324/2657).

SPAIN

Barcelona, Manon by Massenet starring Alfredo Kraus, Ana Maria Gonzalez, Enric Serra and John-Paul Bogart, conducted by Jean Perisson. Gran Teatre del Liceu, Sant Pau 1. (Wed). (318 9277).

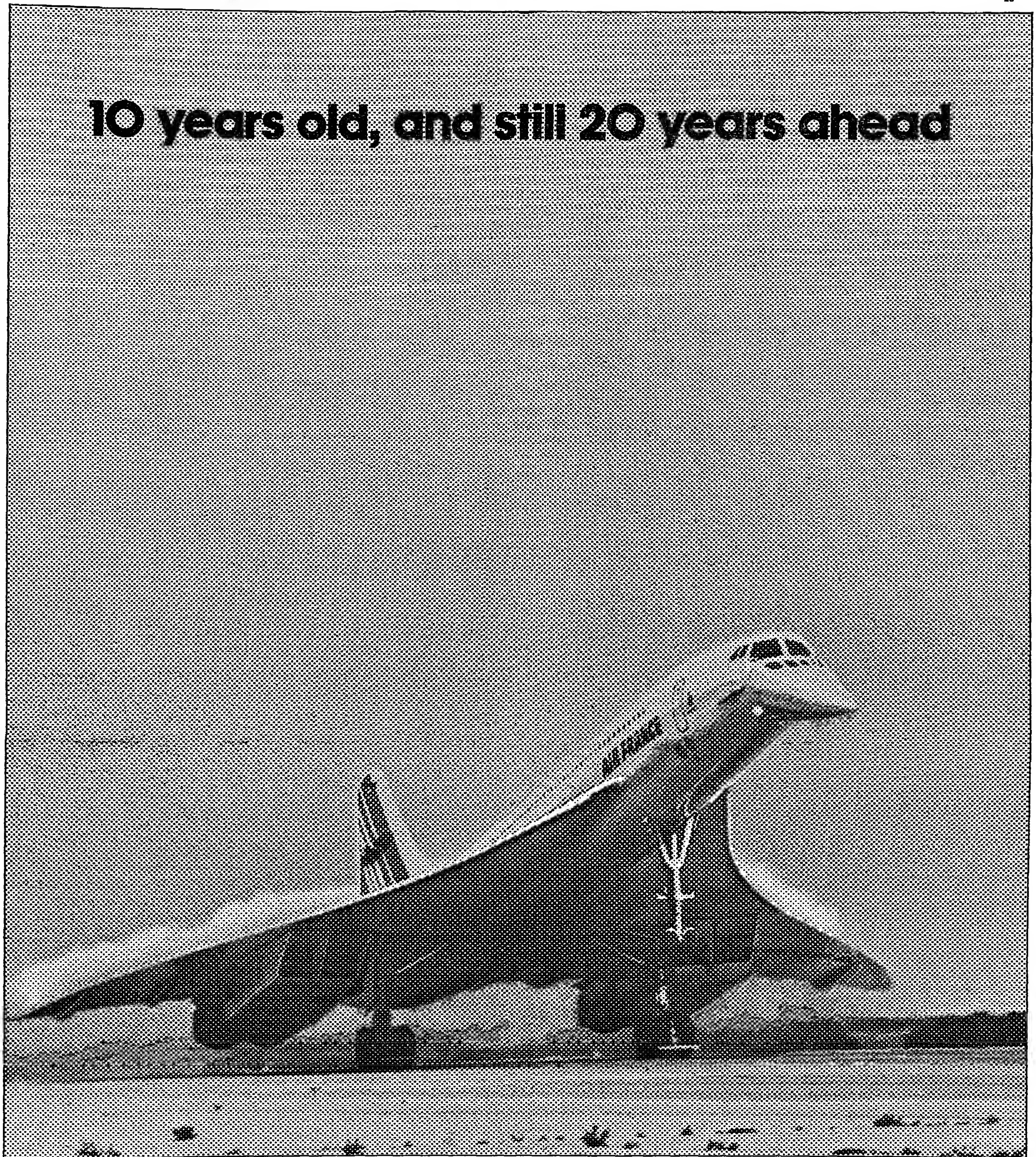
NEW YORK

New York City Ballet (NY State Theater): The repertory of mixed programmes this week inlcudes In the Night, Allegro Brillante and The Cage. Lincoln Center (870 5570).

Metropolitan Opera (Opera House): Montserrat Caballé sings the title role of Tosca with Luciano Pavarotti as Cavaradossi, conducted by Carlo Felice Cillario in a week that includes Romeo et Juliette with Catherine Malfitano and Neil Shicoff in the title roles, conducted by Sylvain Cambreling. Lincoln Center (362 6000).

WASHINGTON

Washington Opera (Terrace): Daughter of the Regiment conducted by Joseph Rescigno with Eric Mills, François Loup and Joyce Castle plays in repertory with Christopher Columbus, conducted by Randolph Mauldin with David Eisler, Elaine Bonazzi and Karen Hunt, in Roman Terleckyj's new production. Both are sung in English. Ends Feb 2. Kennedy Center. (422 8700).



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Tuesday January 21 1986

Go-ahead for the rail link

THE TWO governments have played it safe by opting for a twin-bore rail tunnel ecross the Channel, and wbat looks like a fece-saving conditional commitment by the winning consortium to come up with plans for a road link by the end of the century.

Given the constraints which they imposed on themselves with a very tight time-table, they probably had little alternative. And the sense of anti-climax needs to be kept under control. Even in the relatively modest form which has been approved, the winning scheme submitted by the Channel Tunnel Group will test the financing and engineering resources of France and the UK.

Most independent studies in recent years have favoured a twin-bore tunnel of this type, for reasons which were summed up last month in a report by the House of Commons Transport Committee.

The scheme uses proven technology, and its price compares favourably with those of its unsuccessful rivals. So it should have the best chance of being finished on time and on budget—and since it will not require such e large volume of traffic to be profitable, the ferries should have a better chance of staying in business. It also has an edge in environmental terms. Overall, this is the scbeme which would have been most likely to come np trumps if it bad been found possible to leave the choice to market forces.

Problems

The winning consortium argues with some force that it could not beve put a price nn a road link at this stage, given the technical problems of ventilation and the geological risks of going deeper into the sea bed. And its financial backers require the assurance that the epproved scheme will have exclusive rights to the fixed link franchise for a period of years.

This explains the compromise whereby the Channel Tunnel Group will have the exclusive right until the end of this century tn come np with proposals for a road link. On this timetable, the bank loans should have been repaid before there is any chance that a roed link will be completed to cream away some of the revenues. The Channel Tunnel Group will not have to go ahead with any roed scheme that might undermina the returns on the first link—a condition which could presumably be made to rule out almost anything. And any rival road scheme will not be permitted until well into the next century.

This is a strong card in the bands of the winning consortium. It will be important during the coming weeks for the governments to ensure that they are not signing away the chance of a roed link until the end of the concession period in the year 2020 or beyond.

Other crucial elements in the concession have also to be pinned down. The governments need to seek protection against excessive exploitation of the concession which they are handing out, by establishing a firm regime against predatory pricing. They will also need to guard against the possibility of excess profits in the final decade of the concession. The Transport Committee suggested some form of sliding scale of tax liability similar to that applied to oil revenues.

Opportunity

This project should not be looked at in isolation. For all its scale, it will only be a part of tha transport links between France and the UK, and the other elements need to be encouraged as effective competition. Hand in band with the Cbannel tunnel should come a drive to deregulate restrictions on the price and availability of air transport between the two countries. And the two governments could find no better opportunity to demonstrate their determination to cut back customs barriers and passport restrictions. Progress on these fronts would have the edded advantage of supporting the economic benefits to be derived from the link. Taken together, they would make a real difference to the smooth flow of traffic between the two countries.

The decision to build the fixed link—and the fact that amicable agreement was reached between London and Paris—has a symbolic importance which goes far beyond the short-term political gains for the two governments. Its practical value will be the greater if it belps to accelerate the removal of all the other barriers which hinder the movement of people and goods between the countries of Europe.

Danish need for realism

THE DANISH Parliament today has the chance to move the European Community a small step along the stony road to greater efficiency and a more complete internal market. The likelibood is that it will refuse that chance by turning down the proposals worked out at the last European summit in November. Fortunately e new opinion poll provides reason to hope that the Danish people are sufficiently realistic to disown sucb a refusal.

After the summit two Community members announced reservations: Italy, because the proposals, particularly for increasing the powers of the European Parliament, did not go far enough; Denmark because the Prime Minister, Mr Poul Schlueter, knew that a parliamentary majority in Copenhagen was likely to think them too far reacbing.

The way towards Rome lifting its reservations has probably been cleared by the European Parliement itself whicb has grudgingly accepted the Luxembourg package. Rome had made its acceptance of the proposals dependent upon their passing tbe European Parliament as well as that in Rome. Italy, therefore, will probably take the attitude that half a loaf is better than no bread.

Revised deal

Hence the responsibility developing upon the Danes is all the greater. It is in their power to clear the way for what is a modest proposal, but one that is useful as far as it goes. But a mejority of the Danish Social Democrats have decided to reject the Luxembourg plan because tbey are afraid it will wbittle away some of the sovereignty of their parliemeot and that stringent Danish environmental rules may be watered down by Community legislation.

Without Social Democratic support Mr Schlueter will be unable to carry the day in Parliament because one of the parties of his minority coalition, the radical Venstre is isolationist and hence onti-EEC aod also anti-Nato. As a result Denmark will probably attend the next EEC foreign ministers' meeting and ask for a revised deal from the other 11 members of the Community.

They should reject such a request. The main charge made against the Community is that it is ineffectual. By bowing to a Danish request for a "better deal" it would merely strengthen that charge. Mr Schlueter has already taken a rebuff into account and intends to stage a referendum on the wbole matter, probably next month.

Such a referendum would in practice force the bands of both Government and Parliament even though, constitutionally speaking, it can be consultative only. The opinion poll just published on this matter points towards a popular majority for accepting the Luxembourg package. If that is correct, bte Danish electorate has grasped some fundamentals about Danish relations with the Community and is showing greater realism than some of the politicians.

The chief of these fundamentals is that, through its agriculture, Denmark has been a main beneficiary of the Common Market. The benefits would not bave been evailable if, like Norway, it had not joined the EEC and concluded a free trade agreement instead.

By standing aloof from the Luxembourg proposals, Denmark would be trying to pick and choose what it will and what it will not accept from its partners. But in a Community there has to be give and take. It is not as though Copenhagen (or any other capital) is being asked to suffer a serious impairment of sovereignty.

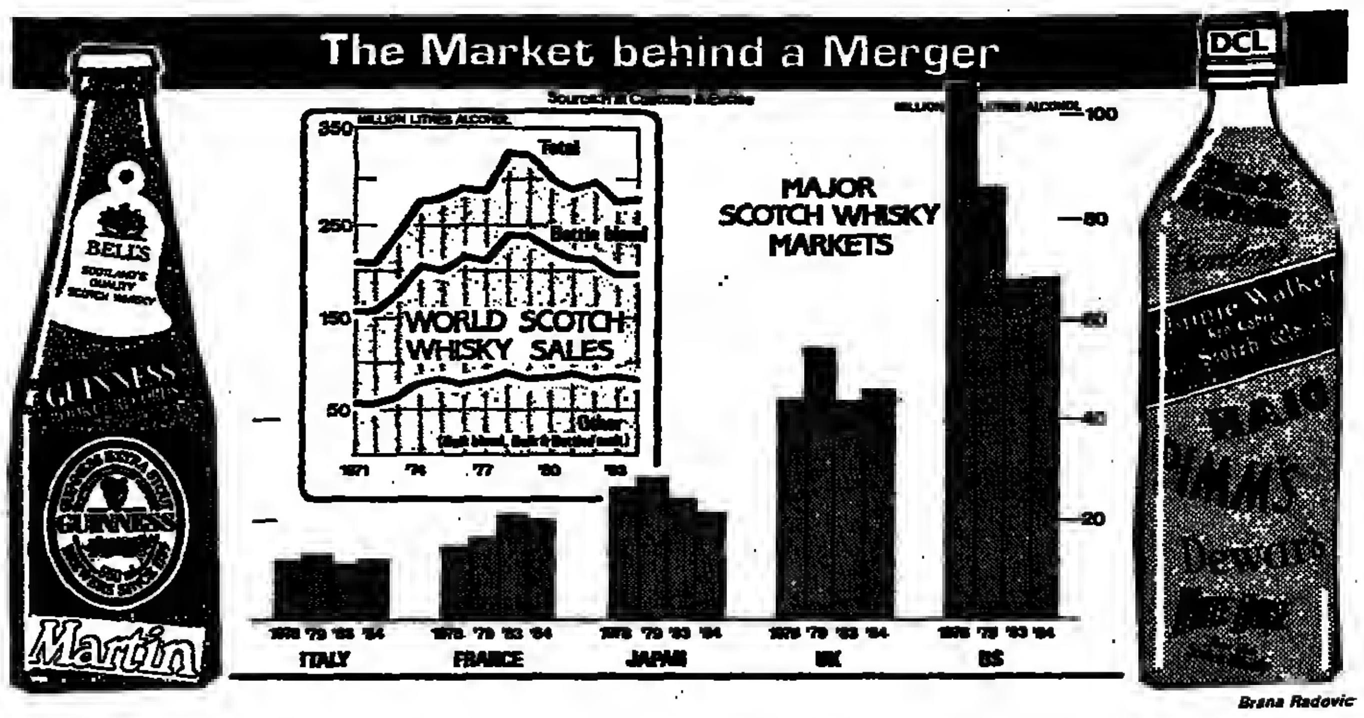
Danish opponents of the Luxembourg proposals should also bear in mind thet others among the smaller members of tbe Community have usually felt that more rather than less integration is the way to protect themselves egainst being ovrewhelmed by the bigger members. The Netherlands and Belgium bave pursued that line. Italy, smallest among the big three, also wants Community bonds to be tightened.

Taken to its logical conclusion, the position taken by the Danish Social Democrats could even lead to a withdrawal from the Community. Though some people in Denmark may still be fascinated by the chimera of Nordic unity, that is not a realistic option. Denmark, not the Community, would be the sufferer.

THE GUINNESS-DCL BID

A perfectly timed punch but not yet a knockout

By Lionel Barber and Lisa Wood



Brana Radovic

BY MOST accounts, the Distillers board meeting last Sunday night was a tense affair. A stream of calculated leaks to newspapers over the weekend setting out the terms of a merger with Guinness, the brewer and drinks company, had caught the board wrong-footed. At least one senior Distillers director felt that be was being "bounced" into a merger whose merits had yet to be fully agreed.

By 9.30 am yesterday it was clear that e quiet massacre had taken place the night before at Distillers' elegant beadquarters in St James's, London. Guinness announced that it was launching a £2.3bn agreed bid for Distillers (DCL), the international acotch whisky and gin business. There was no donbt wbo would be in charge.

The new enlarged group, whicb would bave a market capitalisation of almost £3bn, ranking it 10th in the FT 500, has yet tn be named. But it will be run by Mr Ernest Saunders, chief executive of Guinness, the sueve marketing man wbo has built up a golden reputation in the City in the past four years. Mr John Connell, the bruised chairman of Distillers, is to be vice-chairman; but some nine Distillers executive directors and two non-executive directors fail to make the new group board.

If the merger comes off—and there is a possibility that it will be blocked on monopoly grounds — it would mark the end of a long road for Distillers.

After the trauma of Thalidomide, the group struggled to regain its confidence and to reverse the steep decline in its market share in the UK and overseas.

Over the past six weeks, Distillers has been trying to wriggle free from the clutches of Argyll, the UK supermarkets group build up by Mr James Gnliver, whicb last month launched a £1.9bn bostile takeover bid. Its defence has not been impressive, often degenerating into a series of squabbles with Argyll over the accuracy of its advertising campaign. When Mr Leon Brittan, Trade and Industry Secretary, decided ten days ago not to refer Argyll's bid to the Monopolies Commission, the options before the Distillers board began to narrow fast.

Enter Guinness and Mr Saunders, keen observers of the developing battle ever since Argyll's bid intentions were leaked prematurely last September. According to Mr Roger Seelig, of Morgan Grenfell, advisers tn Guinness, the interest in "offering a better and constructive solution" to Distillers accelerated once the whisky group failed to secure a Monopolies Commission reference.

The intervention of Guinness —just a week before the official closing dete of the Argyll offer —nevertheless poses a number of questions. Perhaps foremost is whether Mr Saunders can justify a £2.3bn bid for Distillers, just six months after he carried out a £356m bostile bid for Arthur Bell, the Scotch whisky company.

But the initial obstacle is the Office of Fair Trading. The newly enlarged group would control around 35 per cent of the UK Scotch whisky market and more than 50 per cent of total whisky production in Britain. Mr Seelig is optimistic: "We clearly would not have embarked on this course withont taking full benefit of the informal guidance procedure at the OFT."

However, the OFT issued a statement yesterday which appeared to contradict this: "There is no, repeat no, question of any bidder having been told at this time that any bid other than that by Argyll for Distillers would not be referred to the Monopolies and Merger Commission for fuller investigation."

Even if Mr Saunders can persuade the OFT that there is no need for a reference, be must still convince the City that Guinness is good for Distillers and vice versa.

Despite the Distillers advertising campaign, trumpeting the group's turnaround under Mr Connell, institutional shareholders in Scotland and in London are convinced that the company needs outside management to galvanise its performance. Though pre-tax profits are rising, after four years of near stagnation at just under £200m, there is a view that much more can be squeezed ont of the group.

This is Mr Saunders' strongest card. When he came into Guinness in 1981, the brewing group's profits were down from £43.3m to £41.8m on turnover of £905.6m.

Over the next four years, Mr Saunders sold around 140 companies and concentrated the group's activities into four areas: international beverages, retailing, publishing and health. Last week, Guinness announced e 22 per cent rise in annual pre-tax profits to £86m to September 1985 on turnover of £1.19bn.

But the Distillers' acquisition is a leap into a new league. It will double the size of Guinness's share capital and will create gearing on e pro-forma basis of more than 90 per cent.

Guinness and its advisers, Morgan Grenfell, are confident that the gearing will fall rapidly over the next two years, if the bid succeeds, perhaps to less than 40 per cent. To achieve this Guinness, like Argyll, would sell assets: properties, particularly in London, can be disposed nf on sale and leaseback.

Guinness, also like Argyll, sees substantial benefits by cutting overheeds. Above all Guinness thinks that Distillers' whisky brands such as Johnnie Walker, Haig, and Black and White can be revitalised.

Mr Seunders, 50, has after all an established reputation as a marketing man. Shortly after leaving Cambridge University with a law degree, he moved to J. Walter Thompson where he promoted such brands as Persil, Horlicks and Ribena. By the age of 30, he was managing director of Beechems Products International before moving again for e seven-year stint with Nestle,

The proposed acquisition of Distillers, which makes 95 per cent of its pre-tax profits overseas on sales of around £1.27bn, marks a major shift for Guinness further into the drinks industry, a process begun with the acquisition of Arthur Bell.

But it raises the question of why Guinness did not bid for Distillers last year, instead of Bell, and wbether the present move for DCL is mora than a defensive move tn protect Guinness from Argyll.

Mr Gulliver, who established a reputation in marketing too, primarily through the Fine Fare supermarket chain is still intent on keeping its owa bid for Distillers in place. He describes the Guinness move as a spoiling tactic, which will very likely lead to Monopolies Commission reference: "This is a cobbled together deal borne of desperation."

Mr Oliver Roux, the management consultant appointed by Mr Saunders to the Guinness board and the proposed group board supervising Distillers disagrees: "Bell is a fantastic company. We intend to do the same job on Distillers that we did on Guinness.

In the light of yesterday's massive underwriting exercise —at £1.6bn it more than doubles the £800m achieved by Argyll when it launched its own bid — some City instiutions clearly believe that Mr Saunders and his team ere the management men of the moment.

Bnt there are some wbo ergue that the pace of acquisitions pursued over the last 12 months is just a little too bectic. Though far far smaller than the DCL deal, they include £1m paid for Cranks, a minor chain of bealth food restaurants, a majority stake in Hedlard, a French gourmet business, and the purchase of Martin, the newsagents.

These acquistions are, of course, dwarfed b ythe Distillers deal. But the speed with which Mr Saunders and his merchant banks advisers ected —conclnding negotistions all round within one week—suggests a certain bravura for the big deal or, given the uncertainty within the Distillers board, perfect timing for the kill.

SCOTCH WHISKY: IN SEARCH OF AN UPTURN

WHILE the battle rages over just who can best revive the spirits of the flagging Distillers Company, the industry is relieved simply to have held its own last year.

Although figures are not yet evailable for 1985 sales, the indications are that the domestic market will be slightly up and the export market slightly down. "Sales have bottomed out over the last three years or so," says the Scotch Whisky Association, "and we are looking for modest growth although it looks like sales in 1985 will be similar to those of 1984.

A shaky recovery it must be said after the early 1980s wben the industry, wbose major players inclnde DCL, Bell's, Allied Lyons, Highland Distilleries and Seagram, saw sales plunge at the onset of the recession. Demand in the key US market, accounting for 28 per cent of sales in 1983, fell by 18 per cent between 1977 and 1983. Today total sales of Scotch Whisky are still 15 per cent below their 1978 levels.

Apart from the recession reasons for the decline include:

- A major shift in drinking habits in countries such as the US, which has seen a bealth-conscious switch to lighter drinks like white wine.
- Skilful marketing of rival products as versatile "Mixer" drinks and increased female interest in cocktails. A recent EEC-commissioned report on sales of EEC wines and liquors in Japan, for example, unfavourably compared the marketing of Scotch with Cognac.
- The imposition of import tariffs, particularly in Latin American countries, wbere economic crisis has produced a scarcity of foreign exchange.
- The growth in commodity, low-status local whiskies and low strength cut-price labels in both the UK and abroad.

As a result of these pressures, the industry in the early 1980s found itself swamped by stocks of maturing whisky it had laid down in the 1970s in anticipation of annual growth in consumption of up to 8 per cent a year.

A slow cull of production began. Some 20 per cent of malt whisky distillery capacity was closed or mothballed between 1980 and 1984 and around 7,500 jobs were lost out of a total of 25,000.

Critics have argued that it took the industry a long time to cut production, which is currently running at around 45 per cent of capacity. "Closing distilleries is not something we do lightly," says Mr John Connell, chairman of DCL which has mothballed a total of 21 distilleries.

While criticism of the industry has been rife—and fashionable—over the period, there has until the last year been little takeover activity in the sector despite its falling profits during the recession. The last major period of takeover activity in the industry was in the mid-1970s

When Guinness last year paid £356m for Bell, which Guinness claimed had "lost its way," attention focused on each company's marketing ability.

In the UK a merger between Guinness and DCL would command some 35 per cent of the UK Scotch whisky market.

Such a share, some in the industry argued yesterday, would give the combined group considerable extra muscle in the UK retailing sector, where manufacturers throughout the food and drink business allege the concentration of purchasing power in the hands of a small group of retailers is detrimental to their profit margins and the future of their brands.

Identification of the right brands has been e pre-occupation for Guinness in its recent acquisitions; names like Champneys, the Health Spa, are felt to bave valuable and marketable social cachet.

Guinness has made much of its skills in rejuvenating brands such as its stout, but taking on the DCL whisky business could be quite a feat for a group that knew nothing ebout Scotch whisky prior to its purchase of Arthur Bell last year.

But the City's faith in Guinness eppears to be undimmed. Mr Neil Scorse of stockbrokers De Zote & Bevan said yesterday: "A merger of DCL and Guinness could give a more focused sense of direction and strategic development to the company and ultimately to the industry."

Men and Matters

Butler to the NatWest board

Sir Richard Bntler, president of the Netional Farmers' Union, is moving to comfortable new pastures when he retires next month. He has been appointed e main board director of Netional Westminster Bank.

Mild-mannered Butler, just turned 57, announced his retirement in November after nearly seven years in the job and months of speculation that be would be going. Son of Lord (Rab) Butler, the late Tory Cabinet minister, and a farmer himself since 1953, he had distinctly mixed reviews from the farming industry. Though be was often portrayed as an adept backroom lobbyist—"the dining-room diplomat," as one farming paper called him—many farmers feel be was an unconvincing public leader.

Butler does not have any first-hand experience of banking but will, no doubt, feel at bome in the boardroom of Britain's second largest bank. Lord Boardman, NatWest's chairman, who was a long-time friend of his late fether, and several other board members, either own farms or are closely connected with the industry.

The bank is second only to Barclays in the business of lending to farmers. About 8 per cent of its loan portfolio is agricultural.

Trade marked

Willy De Clerq, the European Trade Minister, returned to Brussels yesterday from Texas, loaded down with some loaded messages from Clayton Yeutter, President Reagan's trade representative.

De Clerq carried a few bottles of Californian wine, a symbol of the California grape growers' running complaints about EEC wine imports; cases of oranges and lemons in celebration of the unending citrus and pasta trade wars; and packets of walnuts and raisins, to mark the successful conclusion of the bettle over canned fruit trade.

Yeutter, who has been trying to break down Japanese barriers to meat imports, also sent Michio Watanabe, the Japanese Minister of International Trade and Industry, bome from the San Diego meeting with his hands full of "some good Nebraska beef."

De Clerq was understandably reloctant to discuss the possibility of having to pay import duties on his gifts back in Brussels.

His delegation must have been boping not. The trip was already running over budget. When the group got off its KLM jet in Los Angeles to change planes for the short hop to San Diego, it discovered that the bureaucrats in Brussels had booked it on Imperial—an airline which had gone bankrupt three days earlier.

Chopsticks

One of the hazards of working in Tokyo, a colleague tells me, is the high degree of exposure to muzak. Nearly every corporate switcbboard in Japan is now equipped to play some tinkling melody or other to a caller put on bold.

There seems to be no rbyme or reason about which office plays which song. The FT's Tokyo office offers a rendering of Greensleeves, as does IBM Japan. The oil policy division of the Ministry for International Trade and Industry plays music from Swan Lake; Canon, the camera people, treat callers to Home on the Range.

Much (inescapable) research suggests that Citibank Japan offers its clients rather better recordings than the usual tinny, music-box melodies. A Citibank official says that it changes its tapes every two weeks, treating callers to Chopin concertos end other high-brow stuff.

This policy, however, went slightly awry in the bank's Manila office. There, it seems, one of the younger employees recently plugged the music of American disco queen, Donna Summer, into the switchboard. Disco ruled OK — until a senior Citibank executive from Tokyo called Manila and was put on bold. Now it's back to Chopin.

Broad base

Broad Street Associates, the PR company whose advice bas been in demand recently from companies involved in takeover bids, bas brought a management specialist onto its own board in the shape of Roy Close, former director general of the British Institute of Management.

Close, 65, who stepped down last March after nine years at the BIM, has become Broed Street's first chairman. He will be non-executive, but expects to spend two or three days a week in the job. "As director general of the BIM, you get to know a lot of people," he says. "I can also bring them a bit of management and organisational background."

Close will combine his post et Broad Street with three other non-executive directorships, and the chair of the Open University's management education programme board.

Close's last prolonged involvement with the media was on the other side of the fence, as an industrial writer with The Times between 1951-1957.

Broad Street has grown rapidly since it was founded in 1977 by Brian Basham, the noisily extrovert, 42-year-old managing director. It now has a staff of 53, annual pr revennes of £1.5m and advertising billings of £3m.

It is currently edvising Jimmy Gulliver's Argyll Group on its £1.8bn takeover bid for Distillers. It also helped Britannia Arrow in its successful defence against the Guinness Peat bid.

Ear-Whigs?

The Conservative government of Newfoundland strenuously denied that it had been bugging Liberal caucus meetings.

But premier Brian Peckford said mysteriously, "I have my own CIA," wben taxed about his detailed knowledge of the opposition's caucus strategy.

The Liberals have now discovered the nature of Peckford's information system. The walls of the Liberal's caucus room are so thin that every word spoken can be heard in the government members' offices next door.

Handbook

At one Midlands factory, victim of endless industrial disputes and stoppages, it is being said that the workers no longer clock in — they sign the visitors' book.

Observer

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13 %
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchant Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 9.03%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 9¼%. Mortgage 13½%.

Letters to the Editor

Public spending as a proportion of GDP

From Mr A Sutherland

Sir, — You are of course correct in saying (January 16) that much of the increase in public spending is the result of increased transfer payments.

Alas, you nevertheless say that "public spending as a proportion of GDP may not fall significantly below the ratio of 43 per cent inherited in 1978-1979; and remark that "there is nothing inherently wrong with public spending absorbing 45 per cent of GDP. . . ."

These numerical remarks embody a serious conceptual confusion — as does the White Paper itself. GDP measures the flow of goods and services that were produced, and absorbed, during the year. If GDP is to be "absorbed," the items so disposed of must form part of the national income in the first place. As you properly imply (when you add back the receipts from assets sales to the spending total) this means that changes of ownership of existing assets, which is what privatisation produces, should have no place in a calculation about the sources and uses made of GDP. The reason for that, which you do not state, is not a matter of ideology. It follows simply from the definition of national income accounting. The act of changing the ownership of existing assets does not generate, and so can neither absorb nor disabsorb, national income. (Privatisation does have real and financial effects; but they are not directly observable via this route.)

Much more seriously, transfer payments of the more usual kind are about 40 per cent of "public spending." But since transfer payments redistribute rather than absorb national income, they too are not included in the calculation of GDP. Dividing a number for "public spending, including transfers" by a number for "GDP, which by definition excludes transfers" produces merely nonsense.

Those portions of "public spending" which do involve using up part of GDP are current and capital expenditure on goods and services. These amount to an absorption of about a quarter of GDP, not of 40 odd per cent.

These definitional matters are fully set out in any decent economics textbook. Unfortunately they become vitally important when governments confuse themselves by misunderstanding them: and then proceed to set up the reduction of a meaningless ratio as one of their policy targets. Need the Financial Times compound their mistake? Indeed readers might be interested to know whether you would continue to say "there is nothing inherently wrong with public spending absorbing 45 per cent of GDP" once numerator and denominator are indeed stated in comparable units, ie, of spending on goods and services. If a properly measured future ratio of 45 per cent might begin to look high, can the same be said for the actual ratio of a quarter? And if looking at a meaningful ratio would change your view, should the same not happen to Government?

The role of the state is worth arguing about. So are the financial implications of the absolute amount of public spending. But "public spending as a proportion of GDP" is mere propaganda.

Alister Sutherland.
Trinity College, Cambridge.

Status of the Patent Office

From Mr P. Downton

Sir,—The Secretary of State for Trade and Industry's decision to change the status of the Patent Office (January 14) is surprising. Mr Brittan said in his parliamentary reply that changing the status would make it more responsive to the needs of innovators. This must be a matter for speculation. Quangos are not renowned for their responsiveness to users' interests.

Mr Brittan said that a change in status would free the Patent Office from the traditional civil service framework. One wonders, however, why the Government is unable to change the traditional framework to allow the Office to operate in the manner the Government desires.

Mr Brittan also said that the change in status would ensure that the Patent Office would be self-supporting from fees and free to finance investment programmes. The Office, however, is already self-supporting and the financial flexibility the Government desires could be obtained by providing it with a trading fund.

It should be noted that the Secretary of State intends to retain the power to set targets. Thus is seems highly unlikely that the quango will have greater freedom. Fees will be determined by the Minister.

Changing the status of the Patent Office will not be of any benefit to users. There are no functions that the Office can perform as a quango that it cannot perform within the civil service.

The attention of Patent Office management will be diverted for at least the next two years to the creation of the quango, rather than the problem of users or of enhancing the service provided.

Peter Downton
(Assistant Secretary),
Institution of Professional Civil Servants,
75-79, York Road, SE1.

Replacing fraud case juries

From Mr W. Latey.

Sir, — If juries in fraud cases are to be replaced by two specialist advisors drawn from a coterie of 150-200 professionals, then who is to say that verdicts will not be dangerously influenced by a professional man's natural loyalty to a colleague who may either be in the dock or a witness in the case? Or that verdicts will not be unduly influenced by their other "old boy" ties?

A twelve person jury drawn from the public at large may not have an instant grasp of the issue, but the majority of its members can be relied upon to "tell a wrong 'un" and to have no interest in doing anything else.

The Roskill argument seems to be based on the idea that jurors are ineffective because they have no experiance of fraud. But do jurors in a murder trial need direct experience of murder? Surely it is the jurors' understanding that crime could have been committed that counts.

William N. Latey,
32 Aynhoe Road W14.

The retail price of petrol

From Mr D. Crabbe

Sir,—At around this time last year, with the pound having fallen to $1.10 and oil at close to $30 a barrel, the oil companies felt justified in raising the retail price of a gallon of four-star petrol to within a fraction of a penny of £2. We read at the time that this would allow producers, refiners, and retailers adequate margins. The budget in March, as we all know, then made the £2 gallon a reality.

Since then the pound has recovered by over 30 cents against the dollar, and the price of crude has slipped below $25 for the equivalent barrel. If the full benefit had been passed on to the consumer—the same consumer who had to bear the full cost when currency movements and oil prices were moving in the opposite direction — the price of petrol at the pump would now, by my calculation, be around £1.75 for a four-star gallon. This price allows producers and suppliers the same cash margins, although in percentage terms these would, of course, be higher.

So why am I and millions of others paying 14p or thereabouts over the odds? Is it part of some devilishly cunning scheme to curtail consumption by high pricing in 1986, Energy Efficiency Year? Or do we have to wait for some enterprising characters to cart over tanker loads of motor spirit from Rotterdam, set up shop, charge below £1.75 for their product and still make a healthy profit?

David Crabbe.
Open University,
Walton Hall,
Milton Keynes.

Tunnel ventilation problems

From Mr R. Marsh

Sir,—Having used the Geneva underground car park every day for some years I was surprised by Jennifer Hall's experience (January 14). So, I think, would be the French family I saw there recently on a rainy Saturday having lunch (folding table, chairs etc.) beside their car. This leads me to express the hope that, if the chosen cross—or sub-channel project does include a road, provision will be made for lay-bys to meet the prandial requirements of travellers.

Rowan M. L. Marsh.
Munchsteig 3,
8008 Zurich.

A Green party in Britain

From Mr R. Bamforth

Sir,—I was interested to read (January 14) the letter from Enid Lakeman of the Electoral Reform Society, commenting on the STV system of proportional representation. I cannot, however, agree with her comments that Greens could form their own Party but it would probably be more effective to give their preferences to the Greenest of the other candidates.

There is, of course, already a Green Party in Britain and, as the Ecology Party, there has been one for 10 years. It cannot be more effective for Greens to vote for candidates of other parties as none of the other parties is in the slightest bit Green. They may try to look Green by tacking on a few environmental policies but the basic philosophies of the main parties are all opposed to Green ideas in their deeper sense and Greens will not advance Green politics by voting for them.

Roger Bamforth,
Stockport Green Party,
131, Windlehurst Rd, High Lane,
Stockport, Cheshire.

A new terminal at Stansted

From Mr D. Starkie

Sir,—Sir Norman Payne (January 15) states that permission has been granted for a new terminal at Stansted. This requires elucidation. British Airports Authority has received planning permission to expand Stansted but what it has not yet received is the Secretary of State's approval of its proposed investment plan.

In the recent airports White Paper the Government stated that it expects BAA to show that its investment in Stansted will earn an acceptable rate of return. What the Government regards as acceptable remains to be seen. Our calculations indicate that, from a commercial view point, an immediate large scale expansion of Stansted constitutes a poor investment. We might well be wrong, but surely the best course of action is to finalise present proposals to introduce private capital into BAA and then let the new board make the decision on the appropriate pace and style of development at Stansted.

If the Government prejudges these aspects and gets it wrong, the effect could well be a serious reduction in the proceeds the Exchequer receives from the flotation of BAA.

David Starkie.
Institute for Fiscal Studies,
180-182 Tottenham Court Road, W1.

The rescue of Westland

From Jane Moncreiff

Sir,—It is fallacious to treat the rescue of Westland Helicopters as a purely commercial issue. The question is political, not one of free trade. It is in our country's interest and in the interest of Western Europe that defence procurement questions should be recognised as such.

The manufacture of military helicopters is not comparable to the manufacture of shoes! What is at stake is whether British defence and its procurement policies be co-ordinated at a European level or not.

It is outrageous that the question should be reduced to one of shopkeeping and personality clashes.

Jane Moncreiff
(Secretary, Liberal European Action Group).
1a Whitehall Place, SW1.

House buying chain delays

From T. Bishop

Sir, — Lombard's comments (January 13) about the Prudential's proposed solution to the delays created by house buying chains must have brought a wry smile to estate agents and solicitors who, for many years, have been grappling with this problem.

What does not seem to be appreciated is that the difficulty lies not with funding but with the attitude of vendors. Enterprising agents can often find a property dealer/investor/speculator who would be prepared to take a property off their hands at a discount to enable the chain to be completed. The difficulty is that the vendor will not accept less than the full market value.

One can just imagine the man from the Pru explaining to the vendor . . . "Well Mr Smith it is true we did value your property at £100,000 but we are now advising you to sell it to us at £94,000 because this will be very convenient for the other five people in the chain and will enable us to collect our commission." I think the immediate reaction of the vendor will be to find another agent.

Mr T. Bishop.
Bishop Longbotham & Bagnall.
5, Roundstone St,
Trowbridge, Wilts.

Engineering cuts programme at the BBC

From Laura Vincent

Sir, — In his article (January 7) publicising November 1986's 50th anniversary of the world's first regular public TV service on the BBC, John Chittock praises the "engineering leadership" which has facilitated the "considerable achievements" of British TV.

Such praise is well deserved, and it is ironic that in this anniversary year, the BBC appears determined to push through a cuts programme which will decimate the engineering expertise that it has nurtured over the past half-century.

The BBC's recently-published "priorities for the future" proposals mean that up to 1,000 engineering jobs are threatened. Designs and equipment department face massive cuts, and the BBC's prestigious research laboratories at Kingswood Warren and training centre at Wood Norton are also threatened.

The Corporation says it is looking for savings of £3m by 1988. To achieve this "manufacturing within equipment department is to cease . . . greater reliance will be placed on the purchase and installation of off-the-shelf equipment and systems."

But how realistic are these assumptions? Where are the BBC's cost comparisons?

The BBC's rationale is that it wants to save money, but there is absolutely no evidence to suggest that in-house research, development and manufacture is more expensive than outside consultants.

One specific example of work done in-house which has been of direct financial benefit to the BBC is the work on the scale modelling of studios for acoustic testing purposes. A consultant's estimate for improving a Maida Vale studio was £180,000: as a result of research department work, the necessary improvements were carried out at a cost of only £20,000. The success of the techniques means that it can continue to give the BBC value for money in the future.

A further idea taken up by BBC designs department is the "dynamic carrier control technique" devised to make savings in the cost of electricity used to power the Corporation's medium frequency transmitters. Applying the technique to just three transmitters gives savings of around £150,000 per year.

Such work by research and designs departments gets off the ground because of equipment department's in-house manufacturing facility. The essential advantage of in-house equipment manufacture is flexibility. Those at the top of the BBC who argue that this work can be done outside seem to have forgotten that outside companies (which will not necessarily be British) will be interested in mass production. The normal equipment requirements of the Corporation are large in range and small in quantity.

This trade union cares about its members' jobs and is determined to resist these ill-considered proposals. But the debate goes somewhat further: it concerns the future of public service broadcasting in this country and the kind of service the BBC wants to provide. If the BBC wants to retain its prestigious position at the forefront of broadcasting technology it must find the courage to stand up to its detractors in government, the Press and the advertising industry and to defend its history of excellence.

Laura Vincent.
Broadcasting & Entertainment Trades Alliance,
3-15 Goodge Street, W1

UK BROADCASTING

The BBC adjusts its set

By Raymond Snoddy

DEMAND for BBC videotapes such as Royal Tours of the past three years, Great British sporting moments or Richard Attenborough on wild life has taken Marks and Spencer by surprise.

The videos on sale experimentally in 10 stores at £9.99 each have sold "exceptionally well" and have had to be reprinted three times since October. BBC Enterprises, the commercial arm of the Corporation, is now working on a larger number of programmes from its archives and Marks and Spencer plans to extend its range.

The new relationship between the public service broadcaster and the retail group is just one example of how the BBC is responding to political and financial pressure.

In the past year, it has had to cope with the consequences of two linked Government decisions. The first was the award of an £58 colour licence fee instead of the £65 asked for leaving a nominal shortfall of £350m over the three-year licence fee period. The second was the setting up of the Peacock Committee which is looking at the feasibility of alternative methods of funding the BBC such as advertising, sponsorship or subscription.

The primary purpose of the commercial drive is to earn extra money to plough into programme making. But under the shadow of Peacock it is at least as important that the corporation is seen to be doing everything it can to help itself before the report is completed this summer.

In a matter of months the BBC has decided to:

- Bring together all its commercial activities into one group with a new chief executive;
- Abandon grandiose plans for a £100m headquarters and settle for something more modest;
- Move people out of the central bureaucracy and begin to buy more equipment and services from the marketplace—a change that could cost up to 4,000 jobs;
- Open the door to independent producers in a serious way for the first time.

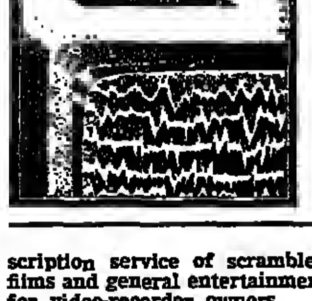
Mr Michael Checkland, deputy director-general and chairman of BBC Enterprises, believes the atmosphere at the corporation has changed.

"There is a recognition now that the BBC has to earn money in the world and exploit all the assets it has got in order to help to make programmes," he says.

Mr Checkland, an accountant by training, is now at the centre of the drive to maximise earnings through the re-organisation of Enterprises while at the same time cutting the central bureacracy to divert more money to programme production.

In October a new data transmission service for business and industrial subscribers was launched. Like teletext it uses spare capacity on the existing television signal. The corporation hopes that the service, Datacast, which provides high speed, scrambled information without telephone charges, will turn into a multi-million pound business within the next few years.

Mr Checkland is also studying the possibility of using BBC television transmitters in the early mornings to run a subscription service of scrambled films and general entertainment for video-recorder owners.



The corporation, with one of the largest programme libraries in the world, is in a strong strategic position for the era of cable and satellite television

The BBC is also expected to make its programmes available for ITV's SuperChannel, the advertising-based satellite channel aimed at the cable television networks of Western Europe. ITV executives grudgingly admit that the corporation is driving a hard bargain. In addition to payment for programmes the BBC is looking for a 10-year deal and a 20 per cent share of any profits in the more than £20m venture without putting up a penny of equity.

It is clear that the BBC, with one of the largest programme libraries in the world, is in a strong strategic position for the era of cable and satellite television—although its critics argue it has hardly begun to exploit the full potential.

Prices paid so far by the new media are, however, low: $15,000 an hour is the top rate for general programming on American cable and the prices paid in Europe are more like $2,000 an hour even though drama costs more than £200,000 an hour on average to produce.

"We see a whole range of possibilities. But if we doubled our turnover which is now about £100m and increased our profitability by 50 per cent it would only add another £18m of profits to the BBC—£1 on the colour licence. So the commercial activities of the BBC will always be at the margin of the fundamental problem," Mr Checkland emphasises.

The reorganisation of Enterprises has been in the pipeline for some time. The real impetus for change at the BBC came from Mr Leon Brittan, the then Home Secretary.

Mr Alasdair Milne, the BBC director-general, insists it was a severe shock when Mr Brittan told him the BBC was to get a £58 colour licence fee rather than the £65 asked for." I suppose in my worst moments I thought we might get £63, but most of the time I was confident we would get £65," Mr Milne adds.

Instead of muddling through by shaving budgets all round, the BBC set up a committee to question every aspect of its activities and report in 30 working days. The package which resulted was adopted by a special weekend session of the BBC Governors at Elvetham Hall in July.

Instead of cutting programme budgets the BBC decided to increase them by £33m and launch full day-time television on BBC1. In a dramatic change in priorities savings would come largely from buying more services and equipment from the marketplace and the loss of up to 4,000 jobs in such areas as electronic equipment manufacture, studio design, catering, cleaning and security. The unions were given detailed proposals on the first 550 jobs to go in November, and a further 625 earlier this month.

But should the BBC have moved much sooner to try to head off its political problems with the Government rather than hoping the axe would not fall? "Should we, could we have done it before? I don't know," Mr Checkland says.

Mr John Gau, a former senior BBC executive who is now an independent producer and chairman of the Independent Programme Producers Association, believes the BBC could be a more effective, flexible and competitive organisation if it set itself a target to cut its staff and equipment by half within 10 years (at present more than 25,000 staff are paid for by the licence fee).

He says the crunch will come when the BBC tries to sort out the details of its new policies. Unless the corporation changes its budgetary methods, or sets aside a special fund for independent production, little, he believes, is likely to change.

The changes of the past year at the BBC are perhaps best symbolised by the decision to abandon plans to build a £100m new headquarters in central London opposite Broadcasting House. Instead there will be a less expensive new radio production complex on the former greyhound track ajoining the television centre at White City. Broadcasting House, built when Lord Reith ran the BBC, could become a museum.

The decision, like the attempts to cut the size of the bureaucracy, is indicative. Mr Stuart Young, chairman of the BBC believes "of a management that has come to terms with living in a world of declining resources yet wishing to ensure that the highest possible standards are maintained."

Even senior BBC producers say it is too early to know whether the outcome will be a workable blueprint for the 1990s or a clever political smokescreen designed to preserve as much of the status quo as possible.

FINANCIAL TIMES

Tuesday January 21 1986

UK freezes GEC's Plessey bid

BY CHARLES BATCHELOR IN LONDON

THE BRITISH Government intervened yesterday in the £1.2bn ($1.7bn) takeover battle between the rival electronics giants, General Electric Company and Plessey, to refer the GEC bid to the Monopolies and Mergers Commission on competition grounds.

Just 30 minutes before the Government's statement, the bid took a dramatic turn when GEC announced that it had begun a libel action against Plessey over parts of its defence circular sent to shareholders last week.

Mr Leon Brittan, Trade Secretary, said he was following the advice of Sir Gordon Borrie, the director general of the Office of Fair Trading (OFT), in referring the GEC bid.

The referral freezes the GEC bid for at least six months and will give Plessey more time to strengthen its defences. The bid has automatically lapsed but the company may resume its bid if it gets Commission clearance.

The OFT is understood to have weighed the reduction in competition in the UK defence electronics market, which would have resulted from a takeover, against the need for British companies to strengthen their position internationally.

The arguments were finely balanced but the scale of the issues persuaded the OFT to opt for a thorough investigation.

GEC, meanwhile, yesterday began legal action against Plessey and several of its directors, saying it had been advised by legal counsel that Plessey's defence document contained "false and misleading statements which are seriously defamatory of GEC and Marconi Underwater Systems (a subsidiary)."

GEC said the statements included "a calculated misquotation of a remark by Mr Robert Sheldon, chairman of the House of Commons committee of public accounts, in connection with the Tigerfish torpedo and a quotation from a report by De Zoete and Bevan, GEC's stockbrokers, which is so highly selective as to amount to a blatant misrepresentation."

GEC said it had begun the libel action because Plessey had refused to issue a correction and apology. The directors named in the writ are Sir John Clark, Plessey chairman; Mr Peter Marshall, finance director; and Mr Warren Sinsheimer, US deputy chief executive.

Plessey said it had been advised that GEC's complaints were without foundation and said it would defend the action to the full.

The GEC decision to go to the law follows an attempt by Plessey to involve the US courts in its bid defence. Plessey applied to a judge in Delaware for an injunction requiring GEC to comply with US securities laws but was turned down last Thursday.

Plessey's shares firmed yesterday ahead of the referral announcement but fell back to close 2p lower at 166p. GEC also fell to 2p to 166p.

See Lex

Cash crisis threatens Goldcrest Films

BY RAYMOND SNODDY IN LONDON

THE FUTURE of Goldcrest Films and Television, the Oscar-winning British independent production company, hangs in the balance because of a severe financial crisis.

Shareholders will be told at a meeting on January 29 that its bank borrowing limit of £12m ($17m) has been reached and that a £9m-£10m write-off is likely on its latest film, Revolution, after a disastrous reception in the US. The company, which backed both Gandhi and Chariots of Fire, is reducing its staff, once numbering 58, to 17.

The company has no money for new production. One of the main options before shareholders will be to reduce Goldcrest, for the time being, to a film sales and distribution company to raise the maximum possible revenue from films already made. If that succeeds, modest production might begin again but there is little chance of that this year.

Pearson, owner of the Financial Times, has a 41.2 per cent stake in Goldcrest, and other prominent shareholders include Britain's National Coal Board Pension Fund and Electra Investment Trust.

The plight of Goldcrest, the flagship of the independent film production industry in the UK, is likely to have a serious effect on British financial institutions' confidence in film investment.

It coincides with uncertainty over the future of what was Thorn EMI Screen Entertainment (TESE). The management of TESE has until the end of February to complete a £110m buy-out – although most of the money is expected to come from the US.

Revolution, an epic set against the background of the American war for independence, was part of a change in strategy at Goldcrest. The aim was to concentrate on "big" pictures designed to break into the all-important US market.

Ironically, it is the cost overruns of Revolution – the final cost is around £21m, nearly £6m above budget – and its failure in the US market that have brought Goldcrest to its knees.

Much now depends on the fate of the other two main films announced as a package in October 1984 – Absolute Beginners and The Mission.

Absolute Beginners, a musical based on the novel by Colin MacInnes and co-financed by the Virgin group and produced by Palace Pictures, has had a mixed reception so far in "test market" showings in the US.

Investors' main hope of getting some of their money back seems to rest with The Mission, produced by David Puttnam.

Paris and London decide on rail link

Continued from Page 1

Train de Grand Vitesse (TGV) service.

He said France was already promoting TGV links with Amsterdam, Brussels, Cologne and Stuttgart.

Both leaders emphasised yesterday the huge impact the project will have on the two countries' economies, trade and employment. Mr Mitterrand described the fixed link as "the biggest construction project of this century."

CTG has estimated that revenues could total just over $808m a year, based on 1985 values, mostly from passengers. The project could provide some $990m of work for UK companies and a similar amount in France. Some 70,000 jobs would be created in both countries up to the opening.

Although the choice of the CTG scheme emergd after a meeting between Mr Nicholas Ridley, the UK Transport Secretary, and Mr Jean Auroux, the French Transport Minister, there was suspense and last-minute manoeuvring right to the end. Both EuroRoutes, which proposed a $7bn road and rail bridge and tunnel scheme, and Channel Expressway with a $3.6bn road and rail tunnel project, were visibly disappointed and angry by the decision since both felt they stood good chances of winning because they each proposed a road as well as rail link solution. Officials of EuroRoutes have already indicated that they did not intend to take their defeat lightly.

Although Britain would have preferred a road as well as a rail link, France opposed Mr James Sherwood's Channel Expressway road and rail tunnel project, while the EuroRoute which enjoyed support in France was deemed too expensive, technically awkward and environmentally unsightly in the UK.

This left the CTG rail project, whose dossier had been extremely well prepared by its bakcers, including Britain's National Westminister Bank, Midland Bank, Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey. In France, the promoters include Bouygues, Dumes, SAE, Spie Batignolles, SGE and Banque Nationale de Paris and Credit Lyonnais.

It is also generally felt that Mrs Thatcher could not afford to postpone or fudge a clear-cut decision yesterday because of the repercussions this would inevitably have had on Anglo-French relations and on the image of Britain's commitment to Europe. "At a time when Britain seems to be gripped with Westland hysteria, it seems it would have been politically explosive for the British Government if a clear decision was not announced in Lille, a French official said yesterday.

As it was, the occasion turned into a joyful and colourful affair, with Mrs Thatcher and President Mitterrand arriving first on the Boulevard de la Liberte where the two countries' national flags fluttered, on to the large, rather ugly 19th century Prefecture of Lille and then to the town hall where bagpipes and a brass band played to flag-waving children.

Mrs Thatcher underlined the strengthening ofthe entente cordiale by concluding her short speech in French, saying that the agreement on the fixed link yesterday was not Britain's "dernier mot" and constituted only "un premier pas" (a first step). She ended her speech by saying that agreement represented a "defit" (challenge) to the two nations.

Mr Mitterand used the occasion for a little local electioneering ahead of the general elections in March. He emphasised the benefits the fixed link will bring to the depressed northern industrial region of Lille, whose mayor, Mr Pierre Mauroy, beaming throughout the ceremony, is a former Socialist Prime Minister.

Andrew Fisher in London writes: Mr Michael Gordon, managing director of CTG, said in London that the rail tunnel would not put the ferries out of business and was less of a threat to them than the rival schemes.

"I do not think there will be a fare war," he added. CTG could also survive a battle with European Ferries, which has said that costs and thus fares could drop sharply when its big, new ferries come into service in a few years.

The question of whether the fixed link would benefit from duty-free concession had still to be worked out, he said. If these were not available, the effect on revenues would be less than 10 per cent.

He said there was no possibility of any co-operation with European Ferries, or with any of the unsuccesful schemes. Its main ferry rival, Sealink, was involved in the Channel Expressway scheme through its parent, Sea Containers.

On the future study of a road link, he said: "The money will have to be there, the traffic will have to be there, and the technology will have to be there." CTG had studied the possibility of a road link before but ruled it out as technically and financially unfeasible.

Answering criticism that a rail tunnel could be subject to union disruption, he said those working on the shuttle would be private employees of a private company. They would not be British Rail employees. "I see no reason why we should worry about strikes," he said.

Crowds celebrate fall of Lesotho Premier

Continued from Page 1

ate the ANC's military and political offensive against South Africa. South Africa signalled its approval of the military takeover yesterday afternoon when a South African freight train of eight oil tankers and 22 wagons carrying other essential goods was given permission to cross the Caledon River border rail bridge into Maseru. Lesotho passport officials dropped their papers and ran out to join a large crowd of cheering men and ululating women who greeted this symbolic end to the South African economic blockade which has been in force for nearly three weeks. Lengthy delays continued, however, on the road crossing, where vehicles are still subject to security checks by South African police.

General Lekhanya, the new ruler of Lesotho, is described by Western diplomats as a "soldier's type soldier," a professional who up to now has not interfered directly in politics. He is in his late forties and was trained in both the UK and the US. He headed the Lesotho delegation to last Friday's bilateral security talks in Pretoria at which South Africa expressed in the strongest terms its demands for the expulsion of ANC activists and its opposition to the anti South African policies of Chief Jonathan, the man who, ironically, South Africa helped to place in power 21 years ago.

At his last press conference in Maseru on Sunday, Chief Jonathan threatened to turn to Cuba and the Soviet bloc for further aid if Britain, the US and other Western countries ignored his appeals for help

Pan-Electric collapse claims another victim

Continued from Page 1

S$180m lifeboat and so head off a chain of broker defaults.

Yesterday's announcement from GIH shows that the company, which formally holds a 31.6 per cent stake in Pan-Electric, has accumulated borrowings of S$68m and forward share purchase commitments totalling almost S$144m.

Apart from Pan-Electric itself, the companies to which the share obligations relate include Sigma International, Grand United Holdings and Supreme Corporation. Share trading is currently suspended for all these companies, and the last three are each controlled by Mr Tan Koon Swan, the Malaysian entrepreneur and politician. Sigma holds a 22.6 per cent stake in Pan-Electric.

Of GIH's bank creditors, Standard Chartered Bank, which already has an estimated S$70m exposure to Pan-Electric, is believed to have lent the company the most at about S$18m. Other creditors include Citibank and First Interstate Bank of California, both from the US, and Bank Bumiputra, Malayan Banking and United Malayan Banking Corporation, all from Malaysia.

The net effect of GIH's decision is a promise of more bank losses and a bigger threat to brokers who were previously hoping for payment from GIH when the share contracts matured. Banks which have helped to finance forward share transactions also stand to suffer.

All this can be expected to reinforce discontent prevailing among bankers and brokers over the S$180m lifeboat scheme as troubled brokers refuse or become unable to honour commitments to other brokers and to particular companies.

Pan-Electric itself, for example – having seen its own vast share purchase commitments transferred to Mr Tan – turned to the courts last week to try to recover up to S$120m-worth of cash and stock due to it from Associated Asian Securities.

Associated Asian is the broking firm which was connected to both Pan-Electric and GIH through Mr Peter Tham, who has disappeared from the country. Although the firm has ceased trading and is under the stock exchange's control, it has not apparently used the lifeboat to meet its obligations to Pan-Electric.

It is not clear whether this is the fault of the exchange, the authorities or the major local banks funding the lifeboat. But many people believe at least one other broking firm has sought lifeboat assistance and seen no response yet. This lack of action is provoking considerable concern.

Last night, meanwhile, members of the Stock Exchange of Singapore voted at an extraordinary general meeting to open the way for local banks to take over broking firms.

A relaxation of the existing separation between banking and stockbroking had been sought by the Monetary Authority of Singapore, the island's quasi-central bank, as a means of restoring financial strength to the broking community in the wake of the November crisis.

Like Pan-Electric, GIH not only has share purchase commitments it cannot meet but is itself owed money – in this case S$49m – under forward contract deals.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	F	13	55	Malaga	–	–	–	Salzburg	C	5	41
Algarve	S	14	57	Faro	F	15	59	Malta	F	15	59	Seoul	C	4	39
Algiers	S	17	63	Florence	C	14	57	Manila	–	–	–	Singapore	S	30	86
Amsterdam	S	7	45	Frankfurt	F	7	45	Miami	S	25	77	Stockholm	F	–10	14
Athens	S	16	61	Funchal	C	17	63	Milan	S	8	46	Strasbourg	F	7	45
Bahrain	C	18	64	Geneva	F	6	43	Moscow	Sn	–7	19	Sydney	S	25	77
Bangkok	S	33	91	Gibraltar	C	16	61	Munich	F	5	41	Taipei	S	19	66
Barcelona	–	–	–	Guernsey	C	9	48	Nairobi	F	26	79	Tangier	F	14	57
Beirut	F	10	50	Helsinki	S	–19	–2	Naples	F	16	61	Tehran	–	–	–
Belgrade	C	5	41	H. Kong	S	21	70	New Delhi	C	21	70	Tel Aviv	F	15	59
Berlin	R	4	39	Innsbruck	S	6	43	New York	F	13	55	Tenerife	F	20	68
Biarritz	F	12	54	Inverness	R	5	41	Nice	S	16	61	Tokyo	C	6	43
Blackpool	C	7	45	Istanbul	S	9	48	Oporto	F	11	52	Toronto	C	3	37
Bordeaux	C	11	52	Jersey	S	9	48	Oslo	Sn	–11	12	Tunis	S	16	61
Brussels	S	7	45	Jo'burg	S	26	79	Paris	S	9	48	Valencia	–	–	–
Budapest	F	9	45	Las Palmas	F	19	66	Prague	F	5	41	Venice	S	6	43
B Aires	S	25	77	Lima	S	24	75	Reykjavik	F	–3	27	Vienna	S	6	43
Cairo	C	17	63	Lisbon	Fg	13	55	Rio de J'o	S	40	104	Warsaw	C	2	36
Cape Town	S	27	81	Locarno	S	13	55	Rome	C	14	57	Zurich	R	5	41
Caracas	C	26	79	London	S	8	46								
Casablanca	C	17	63	Los Angeles	S	29	84								
Copenhagen	C	2	36	Luxembourg	F	4	39								
Corfu	C	12	54	Madrid	C	12	54								
Dublin	F	9	48	Majorca	–	–	–								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Volvo tightens grip on Cardo

By Kevin Done in Stockholm

VOLVO, the Swedish motor vehicle, energy and food group, is understood to have acquired close to 50 per cent of the equity in Cardo as part of its SKr 3.27bn ($430m) hostile takeover for the investment and industrial holding company.

The board of Cardo, which last week recommended shareholders to reject the Volvo bid, is to hold an information meeting of shareholders tomorrow evening to explain its objections to the deal.

Volvo already owned 21.5 per cent of Cardo before it launched its bid for outright control. Mr Pehr Gyllenhammar, Volvo chairman, is also a member of the Cardo board.

He is to attend tomorrow's Cardo shareholders meeting having bolstered Volvo's stake with share purchases in recent days totalling more than SKr 1bn. That has more than doubled Volvo's holding in Cardo.

The Volvo bid has run into regional opposition from Skåne, the country's southernmost province, where Cardo's industrial operations in sugar, seeds and plant genetics are chiefly located. It is understood that Volvo has temporarily halted its share purchases in advance of explaining its case directly to remaining Cardo shareholders tomorrow.

Last week it improved its original bid by 10 per cent to help to overcome opposition to the deal.

Volvo has also been actively buying up shares in Sonessons, the engineering and pharmaceuticals conglomerate, in support of Fermenta's SKr 3.23bn bid for the company.

The Fermenta bid yesterday received the conditional support of the Sonessons board, which said that the SKr 190-a-share cash alternative offered by Fermenta was "acceptable." It has reserved judgment on the alternative bid involving Fermenta shares until precise terms are disclosed at the end of February.

The Sonessons board appealed to Fermenta, however, to keep together Sonessons' engineering activities in one company rather than disposing of them piecemeal.

Fermenta has said it plans to take over Leo and Ferrosan, the Sonessons pharmaceuticals subsidiaries, and dispose of the engineering operations, which include SAB Nife (railway brakes, emergency lighting and batteries), Crawford (industrial doors), Scanpump (pulp and paper pumps), Dacke and Fluidcarbon.

Fermenta also moved yesterday to quell criticism from US investors of its planned takeover of a voting majority in Pharmacia, Sweden's second largest pharmaceuticals company, which was the first Swedish company to issue shares in the US, at the beginning of tha 1980s.

In a joint statement, the two companies said the Pharmacia management was "very positive" towards Fermenta's taking a large holding in the company. Mr Refaat El-Sayed, Fermenta chief executive, and Mr Erik Danielsson, Pharmacia chief executive, are to meet US investors in the next two weeks to seek support for the deal.

Fermenta yesterday said it had signed a preliminary agreement with Bristol-Myers, the US pharmaceuticals and biotechnology group, to investigate possibilities for future co-operation in licensing and marketing.

EEC study on taxes ordered

By Quentin Peel in Brussels

TOP TAX officials from EEC member states have been told to produce an urgent report identifying the tax changes necessary to ensure that a genuine Common Market is operating by 1992.

Community Finance Ministers yesterday agreed on the terms of reference for the study, which is certain to focus on entrenched national objections to wide-scale harmonisation of tax rates.

Moves to reduce the differences in indirect tax rates between member states, including value-added tax and excise duties on alcohol and tobacco, might have drastic budgetary effects in soma countries such as Denmark and Ireland, which rely heavily on indirect taxation.

Lord Cockfield, the Commissioner responsible for the EEC internal market, has called for indirect tax rates to be brought within a narrow band to remove barriers to internal trade. Until now, the finance ministers have been lukewarm about such a move.

The study will also involve an analysis of the possible economic and budgetary consequences of changes, at the insistence of Denmark.

THE LEX COLUMN

A terrible thirst for stout

The price of North Sea crude oil for spring delivery duly fell below $20 a barrel, and the sky did not quite fall in. Indeed, a Japanese trader was willing to pay $2 more for a wet cargo to ship eastwards – which suggests that the North Sea is well ahead of the game.

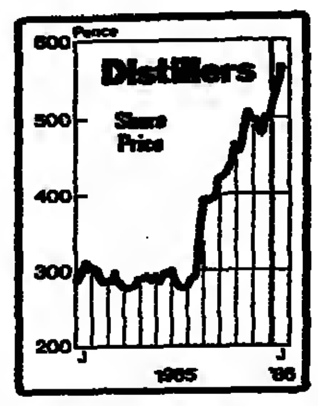
Guinness/DCL

At some moment of truth in the past week it must have dawned on the Distillers board that their institutional shareholders were going to pull the plug. For the agreed offer from Guinness represents as abject a surrender as could be imagined. If it was ever a genuine objection to the Argyll bid that it would create an overgeared company, the pro forma Guinness gearing of 96 per cent suggests that DCL has changed its mind on the subject. Scottish arguments too have had their day (not before time); not even a ritual visit to Edinburgh yesterday can make Mr Ernest Saunders into a Scot.

The City has convinced itself over the past year that Guinness shares are touched with genius; for the present, the virtuous circle in which a favoured management can buy mediocre businesses none too cheaply and confer an improved rating upon them is still working in Guinness's favour. The fact that yesterday's monstrous underpinning took only 4 per cent off the Friday evening share price is ample testimony to the strength of the tide.

Nor are the financial calculations at all daunting, despite the proposed 185 per cent increase in the number of Guinness shares. Taking in profits on the sale of Distillers' stake in BP and an immediate benefit from swinging the axe around DCL, it is not hard to see Guinness producing higher earnings per share with this deal than without it, even in the year to September. Argyll might do much the same thing, and for either bidder it would be no hard thing to shed most of the post-acquisition debt by the end of the second or third year.

Objections to this deal are twofold. The UK drinks trade may be a sideshow to the world whisky market, and segmented by price; there is still a first-blush case for referring Guinness to the Monopolies Commission on grounds of excessive UK concentration in branded whisky. And although the present Guinness management has shown its paces by turning round Guinness – another sleepy branded drinks group – there is some reason to worry that it may be overreaching itself. Guinness may itch to do deals, but it has only had Bell for a few months and is presumably still busy integrating a bag of other purchases which range from convenience stores to health farms.



TSB

It is no unmitigated disaster for the TSB that Lord Davidson has thrown a spanner in the flotation works; for the outlook for the current year is less than rosy even on the basis of yesterday's 1985 figures. Despite last year's 36 per cent increase in advances, the TSB's asset base is still to a large extent locked into investments in gilt-edged and other fixed-rate instruments. Last year, the TSB managed to improve margins on its shrinking service accounts to make up for the January hammering from the money markets; but at current rates the TSB would be very hard pushed to approach last year's operating performance of £169.3m, which adjusted for gilt-edged sales showed a 13 per cent improvement.

Such arguments mean nothing if the flotation does go ahead while the addition of £1bn in equity would merely transform the TSB's cautions capital gearing into something approaching overdrive. With a free equity base of 5 per cent of public liabilities, or double the level of the clearers, the TSB could raise another £300m and more in subordinated loan stock, and oceans of perpetual debt – flotation or no flotation.

The flotation proceeds would come in useful if the TSB wanted to buy a clutch of building societies or a life office. And there seems no reason why the legal wrangles cannot be resolved in time for the TSB to come to the market one or the other side of British Gas in the autumn. Any compensation for the liability to the depositors – if there is one – could be worked into the structure of the flotation, since the Treasury would hardly agree to pay up. A pro forma shareholder base could be made the subject of a rights issue, or depositors could be given largely unpaid shares with a heavy call to come.

GEC/Plessey

With its bid for Plessey kicked into touch for at least six months – the Monopolies reference must take at least that long – it is hard to see what GEC can accomplish by switching its attack from the stock market to the libel court. Whether or not the MMC returns from its deliberations with a clearance for GEC, litigation may irretrievably have poisoned an already sulphurous boardroom atmosphere.

Given a referral, time was always going to be on Plessey's side. Assuming that the bid cannot be revived until late in the summer, Plessey will have had time to retouch its stock market image. Improved figures for the year to March have already been foreshadowed if not forecast in Plessey's controversial defence document; by the time GEC is in a position to come back, Plessey will have had time to work on producing defensible results for the early quarters of the following year. There should be no shortage of discretionary expenses to squeeze.

If Plessey has thus been handed the chance to rehabilitate itself – in the short term at least – GEC may find it hard to keep its share price in terms, if only because its overall earnings pattern is inherently less volatile. The chances must be that a renewed battle would be fought on higher ground than yesterday's Plessey (and GEC) price of 166p.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 21 1986

Singer expects improved outlook

By Our Financial Staff

SINGER, the US manufacturer of aerospace electronics and consumer products, boosted fourth-quarter net earnings 26 per cent from $20.2m, or $1.07 a share, to $27.9m, or $1.48, and expects a favourable outlook for the company this year.

The earnings rise came despite a fall in fourth-quarter sales from $680.2m to $659.4m, reflecting sales of the company's sewing machina marketing operations in Europe, Africa and the Middle East, and the majority equity in Singer's Malaysian subsidiary.

For the year, net earnings rose from $65.1m, or $3.41, to $82.3m, or $4.30. The rise, however, was due to a $17m gain from the Malaysian sale, which offset losses related to the start-up of Singer's SimuFlite aerospace operation. Sales in 1985 slipped from $2.5bn to $2.4bn.

Mr Joseph Flavin, chairman and chief executive, said: "This was the third consecutive year of higher earnings and the 10th consecutive year of revenue growth by the aerospace electronics operations, our principal business."

On prospects for 1986, Mr Flavin said the aerospace electronics results had s strong mix of production and development programme under contract and their order backlog had continued to increase. Cost reduction from the sales on the sewing side would help the consumer business, along with power tool sales. Shipments of power tools to Sears Roebuck declined in 1985.

Singer's shares rose $1 to $40¾ in early trading in New York yesterday following the results.

Lawsuit settled at Apple

By Louise Kehoe in San Francisco

APPLE COMPUTER has reached an out-of-court settlement of its suit against Mr Steven Jobs, former chairman and a co-founder of the personal computer company.

Apple filed a suit against Mr Jobs last September following his resignation, charging him with failing to live up to his responsibilities as chairman of the company and misappropriation of Apple's trade secrets.

Apple executives were concerned that Mr Jobs, who took five senior Apple employees with him to form a new venture, would compete with his former company. Mr Jobs, however, has maintained that, since he left Apple, his new company, Next Inc, has aimed to design high-performance workstations for university users.

Since the Apple suit was filed, Mr Jobs has been prevented from working on the design of the new computer, according to an official for Next Inc.

In the out-of-court settlement, Mr Jobs promised not to hire any more Apple employees for six months and granted Apple 30 days, after the announcement of his product, to examine the computer for any possible violations of Apple trade secrets.

Fannie Mae recovery slowed by foreclosures

BY WILLIAM HALL IN NEW YORK

THE FEDERAL National Mortgage Association (Fannie Mae), which finances one in 10 mortgages in the US, continues to see its return to profitability eroded by soaring foreclosure losses on loans to borrowers who cannot meet their commitments.

Fannie Mae is the biggest housing lender in the US, and its earnings are being hit by the high level of property foreclosures in the parts of the US affected by the 1981-1982 recession, and in states, such as Texas, which are suffering from the slump in the energy industry.

The company says that, although the problem is "manageable," it is foreclosing on additional properties as fast as it disposes of existing properties and expects the problem "will be with us for some time."

The group, the profit recovery of which has been helped by falling interest rates, earned $36.9m, or $0.52 a share, in 1985, compared with a loss of $57.4m, or $0.87, in 1984.

Describing 1985 as o "watershed year," Mr David Maxwell, Fannie Mae's chief executive, said the group's performance reflected the "growing success of the long-term strategies we put in place to restructure Fannie Mae and turn around a company that was losing as much as $1m a day in 1981."

Charge-offs to the company's allowance for conventional loan losses rose from $87.3m in 1984 to $142.7m in 1985. In 1982 the figure was $1.6m. The rapid rise in the level of charge-offs has caused some concern in the investment community, especially since the group lost money on its loan portfolio for a long period.

Fortunately, Fannie Mae has been able to take advantage of the fall in interest rates to refinance its borrowings, and in the fourth quarter of 1985 the group had the first positive spread on its portfolio since the fourth quarter of 1979. Among the other "milestones" listed by Mr Maxwell was a narrowing of the mismatch between the maturity of the company's dabt and its assets from 2.6 years to 1.6 years.

Fannie Mae's business volumes in 1985 reached a record $45.1bn of which $23.6bn consisted of mortgage-backed securities (MBS) issued and $21.5bn consisted of mortgages purchased. The group also earned $111.6m from MBS guaranty fees compared with $78.1m in 1984.

The group's interest margin, equivalent to what banks call their net interest margin, moved from minus $151.7m in 1984 to o positive $70.5m in 1985.

Hughes Tool earnings drop 95% in quarter

BY OUR NEW YORK STAFF

HUGHES TOOL, the Houston-based oil service company whose sales of drilling-rig equipment is a keenly watched barometer of the health of the energy business yesterday reported o 95 per cent fall in its fourth-quarter net income to $560,000.

Mr W. A. Kistler, Hughes Tool's chief executive, said yesterday that an expected increase in US drilling activity in the final quarter of the year failed to materialise and the US drilling rig count was down more than 18 per cent in 1985.

"Among the major reasons for the continued depression in US drilling are uncertainties over changes in tax laws and the proposed block pricing for natural gas," said Mr Kistler.

Hughes Tool, which has done little more than break even for the previous three quarters, earned $4.1m for the 12-month period. This compares with losses of $133.8m in 1984 and $90.9m in 1983.

Revenues in 1985 grew marginally to $1.26bn but remain almost a third below the group's 1981 revenues of $1.76m. This was the peak of the drilling industry boom before the collapse in oil prices and was a record year for Hughes Tool, which earned $255.2m.

The group's shares have fallen from a peak of $48 in 1981 to a recent low point of $12. They rose by $⅛ to $12⅛ in early trading yesterday. Hughes Tool earned $0.07 a share, which compares with an annual dividend of $0.48 a share.

Drilling activity in the US averaged 1,980 active rigs in 1985, which was 18.5 per cent lower than the year before. Outside the US drilling rig activity rose 6.7 per cent to 1,585 active rigs last year. Most of the international increase was accounted for by Canada where the rig count rose from 258 in 1984 to 310 in 1985.

Hutton shake-up begins with key appointment

BY PAUL TAYLOR IN NEW YORK

E. F. HUTTON, the Wall Street securities firm, yesterday named Mr Edward J. Lill, partner-in-charge of Deloitte Haskins and Sells' financial services industry practice, to the post of chief financial officer.

The appointment of another outsider to a key internal post continues o major reorganisation at Hutton. It comes in the wake of the firm's embarrassing illegal cheque overdrafting scheme revealed last year and its warning last month of a fourth-quarter loss as o result of additions to reserves and trading losses.

Last week Hutton unveiled what it described as one of the "broadest reorganisations" of its history aimed at centralising the firm's operating and support units along customer lines, restructuring and centralising Hutton's policy-making process and decentralising administration and implementation.

The restructuring also involved a reorganisation of the firm's senior management structure under Mr Robert Formon, chairman, and Mr Robert Rittereiser, the former Merrill Lynch executive who was named president and chief executive of the parent company last June and president of Hutton's brokerage-dealer subsidiary last week.

Mr Lill, who will also be an executive vice president and one of eight senior officers serving on the management committee which will determine overall strategy, policies and procedures for the firm, will head a Hutton division which has been restructured during the past year. He replaces several people who have held various positions.

Hutton said Mr Lill's responsibilities would include financial and regulatory reporting, annual planning and budgeting, treasury, tax, corporate development, internal and annual financial audits and financial operations in all affiliates and subsidiaries.

Hyundai sets sales target for US

By Terry Dodsworth in New York

HYUNDAI, the South Korean car manufacturer, is launching its Excel model in the US this week with a target of 100,000 sales in its first year of operations.

The introduction of the Hyundai Excel, already a big success in the Canadian market, will intensify the growing competitioo in the US market for small, inexpensive cars bought as a first-time purchase or for use as a second vehicle.

Over the past few years, a gap has grown in the US market for cars of this type as the Japanese importers have made their small cars more sophisticated and increased prices. Although base models of some Japanese small cars can be bought for less than $6,000, these are not readily available – a result of the Japanese strategy under the import quota system of increasing earnings through larger margins rather than additional volume.

Late last year, the Yugoslavian company Zastava won a head lead in this economy market with the introduction of its Yugo model, priced at just under $4,000. The more sophisticated Excel, retailing at around $5,500, is the next product to come on to the market and is likely to be followed by other Japanese models.

Volkswagen is also preparing to import a low-price model from its Brazilian company although the final plans for this have not yet been announced.

The swift acceptance of the Excel in Canada has led dealers to give the car an enthusiastic acceptance in the US. A dealer network of more than 150 around the country has been established, with particular concentration on the two coasts.

In Canada, the Excel is now the biggest-selling imported car, having overtaken Honda's models in a period of only 18 months. Shipments rose from 25,000 in 1984 to about 80,000 last year, accounting for a little over 21 per cent of the import share and 4.6 per cent of the total market.

Klöckner plans to sell steel division

By Rupert Cornwell in Bonn

KLÖCKNER-WERKE, the major West German steel producer and engineering group, plans to hive off its steel division, following the collapse last year of attempts to merge it with the steel interests of the Krupp group.

This was confirmed yesterday by the Duisburg-based Klöckner, as it denied West German press reports here that it planned to slash its DM 469m ($191.4m) capital by s third, in return for a waiver by creditor banks of some DM 100m in claims on the company.

Such a move, the reports argued, would speed up the moment at which Klöckner would be able to resume dividend payments, and thus clear the way to raising new funds on the West German capital market.

Instead, Klöckner claimed that tn its latest financial year to last September 30, the signs of recovery in 1983-84 had continued. The group's steel division, which made an operating loss of DM 148m, "reached the turning point," while the performance of its other manufacturing activities improved further.

The company gave no figures but said its overall operating accounts had closed in the black and had been strengthened further by extraordinary capital gains during 1984-85.

Landis and Gyr seek SFr 9.2m

By John Wicks in Zurich

LANDIS and Gyr, the Swiss electrical engineering group, yesterday announced plans for a rights issue and confirmed that profits for last year had risen strongly.

The rights issue is to be one-for-15 at SFr 200 ($100) to raise SFr 9.2m. For the year ended September 1985 net profits had increased from SFr 60.5m to SFr 75.4m, the company said.

SUBSIDIARIES TO BE SOLD AFTER PROBLEMS AT VOEST-ALPINE

Austria reorganises holding company to recoup losses

BY PATRICK BLUM IN VIENNA

OIAG, the holding company for the bulk of Austria's nationalised industries, will be reorganised and some of its companies will be sold off following heavy losses at Voest-Alpine, its largest company, Mr Ferdinand Lacina, the minister responsible for the nationalised industries, said yesterday.

After a special meeting of OIAG's supervisory and managing boards, Mr Lacina said that the holding company would be looking for ways to recoup the losses incurred through oil speculation by Voest-Alpine Intertrading and Merx, the trading subsidiary of Voest-Alpine, and of Chemie Linz, the chemicals group. This will include selling some assets and companies.

In the longer term the Austrian Government also intends to streamline OIAG further by selling off its shares in or ownership of up to 12 smaller companies. OIAG would then focus its activity in the basic and mining industries.

Mr Lacina also announced that OIAG would be given greater control over strategic planning, personnel, finance and performance of member companies, whila at the same time leaving individual companies with greater responsibility for their day-to-day affairs and the fulfilment of their targets.

OIAG has operated as a loose holding with little effective power.

The system of appointing supervisory board members according to the strength of political party will also be ended to improve efficiency. The Government will in future directly appoint OIAG's supervisory board members, who will then in turn appoint the supervisory boards of individual companies.

Voest-Alpine's losses are expected to be at least Sch 5.7bn ($329.5m) of which about Sch 2.4bn was incurred through oil speculation, and Merx's Sch 550m, although officials admit that the final figures might yet be higher.

RAS to launch L90bn rights issue in Milan

BY ALAN FRIEDMAN IN MILAN

RIUNIONE Adriatica di Sicurta (RAS), Italy's secood-largest insurance group controlled by Allianz of West Germany, is to raise L90bn ($53.4m) through a rights issue on the Milan bourse.

RAS, which in 1984 had total premium income of L3,173bn, says it will use the proceeds to beef up its life-insurance division. The rights issue was approved by an extraordinary shareholders' meeting in Milan yesterday.

Allianz acquired effective control of RAS in autumn 1984, at first taking a one-third stake. Dr Suny Schmitz, RAS chairman, has said the Allianz stake will rise to 51 per cent in the next couple of years. Around 40 per cent of RAS is in the hands of shareholders on the Milan bourse.

Another Italian insurance group – Intercontinentale – announced plans yesterday to seek a quotation on the Milan bourse by offering around 20 per cent of its shares to the public.

● IBM Italia, the Milan-based subsidiary of the world's biggest computer group, said sales in 1985 rose 17 per cent to L4,280bn. Exports were up 21 per cent to L1,350bo or just under a third of total turnover.

Control Data sells off UK unit

BY DAVID MARSH IN PARIS

COMPAGNIE BANCAIRE, the specialised French banking group is moving into the UK property and company credit business by buying London-based Commercial Credit Services Holdings from Control Data, the US computer group.

The acquisition, which still needs final approval of the Bank of England and the French authorities, represents part of a move by Compagnie Bancaire to build up its international activities in areas such as leasing and corporate financial services.

Commercial Credit Services Holdings employs 200 people in 13 branches and has outstanding loans of about £200m ($287m) in areas such as leasing, property lending and discounting for small and medium-sized companies.

VW plans 4,500 new jobs

By John Davies in Frankfurt

VOLKSWAGEN, the West German motor vehicle concern, is continuing to hire more workers as it strives to keep up with the strong inflow of orders for new cars.

VW has already hired 600 new workers at its six West German plants since the beginning of this year and plans to hire a further 2,900 by the end of June.

If sales keep up, the company expects to hire an extra 1,000 workers during the secood half of the year, when its workforce takes time off to make up for Saturday shifts worked during the first six mooths.

VW, which employs 123,000 people at its domestic plants, has hired more than 18,000 new workers and apprentices since mid-1984.

It has been building up its workforce partly to offset the introduction of shorter working hours and partly to enable it to squeeze as much output as possible from its factories.

VW said yesterday it had introduced Saturday shifts this year to avoid delays in delivery to customers because plants were at the limits of their capacity.

WEST GERMAN CAR MAKER'S CAUTIOUS MOVE INTO AERO-ENGINES

Porsche reaches for the sky

BY JOHN DAVIES IN FRANKFURT

PORSCHE, the West German sports car maker, is moving ahead cautiously with its aero-engine project – but with its customary flair.

From March, Porsche engineers will start turning out the first of about 100 engines regarded as a "pilot run." If all continues to go well, regular commercial production is expected to begin some time within the next two years.

Porsche has just reached a milestone in the project with the successful end of a six-month, round-the-world flight of a light aircraft powered by a prototype Porsche engine. The flight was not simply a publicity-catching event but a tough test of the engine's performance in a variety of conditions.

The aero-engine, known as the PFM 3200, is based on the 3.2-litre engine in Porsche's 911 sports car. It has six cylinders and 212 horsepower, and is intended for sports and light business aircraft.

Porsche claims the engine is technologically advanced. It has low fuel consumption, is easily managed (and so reduces pilot stress) and is relatively quiet, the company says.

The aero-engine project has some appealing logic for Porsche, which has an overall sales revenue in excess of DM 3bn ($1.2bn) a year. Potential customers are the same well-heeled and adventurous clientele who are apt to buy its sports cars, which it is now turning out at 50,000 a year.

Moreover, Porsche's aero-engine development might spin off benefits for car engines, and it highlights the company's technological prowess.

Porsche engineers have been examining the idea and moving towards commercial production for a few years, certainly since Mr Peter Schutz joined as chief executive five years ago.

The engine development stems from Porsche's long-standing interest in research projects beyond the immediate business of sports cars. The company is renowned for its research and development centre, under Mr Helmuth Bott, in a secluded, wooded landscape at Weissach, near Stuttgart.

It is there that Porsche not only dreams up and experiments with its own technological advances, but also engages in work for outside clients from all over the world.

Mr Schutz, a German-born American who presides over Porsche with a genial but calculating expertise, is himself an experienced pilot. "The last aircraft that I actually owned was a World War Two primary trainer, PT 23, with an open cockpit and a low wing," he said as he waited in a crowd for the round-the-world aircraft to return to base in southern Germany.

The Porsche-powered Mooney M20K aircraft was greeted by Mr Schutz and Mr Ferry Porsche, 76, son of the company's founder and current patriarch of the Porsche and Piech families, who own the company's voting shares.

The flight provided a stiff test, which, according to Porsche, showed that the engine could stand up to varied climatic conditions.

The single-engined aircraft covered 100,000 km, spending 600 hours in the air. The longest non-stop distance covered was 3,900 km from Hawaii to California in 15.3 hours.

Porsche is well aware that its project faces strong competition from such US companies as Avco-Lycoming and Teledyne-Continental.

The batch of 100 engines that it will begin producing soon in its so-called "pilot run" will be aimed at aircraft manufacturers and light-aircraft owners. It has its eye, for instance, on light-aircraft makers in France, believing they will be interested in trying out the engine in their aircraft production.

The biggest market for aircraft owners is the US, which is also Porsche's main outlet for sports cars. The company has already set up o project office in the US for the aero-engine.

Mr Schutz says the company expects to offer aero-engines from regular commercial production within the next two years. He is cautious about the possible size of the production run.

Other aspects of the project are also still open. For instance, production is expected to be at the Zuffenhausen car plant in Stuttgart, although a final decisioo has not been made. But Porsche executives emphasise that there is no question of a joint venture.

"We will start slowly," says Mr Schutz, with relatively few engines likely to be made in the next couple of years. The emphasis, he says, will be on quality.

In carefully moving in that direction, Porsche is by no means breaking with tradition. Ferdinand Porsche, the founder, was involved in early aero-engine design. Moreover, BMW, the Munich-based car company, used to be a prominent aero-engine maker, while Daimler-Benz owns MTU, activities of which include involvement in high-powered aviation engine production.

Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)
Registration No. 05/22452/06

Consolidated Interim Report

for the six months ended 31 December 1985

INTERIM RESULTS (UNAUDITED)	Six Months to 31/12/85 Rm	Six Months to 31/12/84 Rm	Twelve Months to 30/6/85 Rm
Gross sales revenue	720.3	466.4	1063.1
Commission and discounts	44.3	29.0	63.8
Net sales revenue	676.0	437.4	999.3
Cost of sales	404.5	297.0	649.4
On-mine costs	306.2	231.3	497.3
Treatment and refining	67.8	47.5	105.3
Off-mine costs	27.5	15.1	32.6
Decrease in stock	3.0	3.1	14.2
Profit on metal sales	271.5	140.4	349.9
Other income	14.2	18.0	29.0
Profit before provisions	285.7	158.4	378.9
Provisions for renewals and replacements	39.9	32.7	71.5
Profit before taxation	245.8	125.7	307.4
Tax and lease	140.1	64.2	146.5
Tax normalisation	1.1	2.0	4.0
Profit after taxation	104.6	59.5	156.9
Dividends	65.8	43.9	112.8
Transfer to reserves	38.8	15.6	44.1
Earnings per share (cents)	83.5	47.5	125.2
Dividend per share (cents)	52.5	35.0	90.0
Dividend cover	1.6	1.4	1.4

NOTES

1. During the six months to 31 December 1985, the sales volume of platinum was lower and those of gold, nickel and iridium higher, than those in the six months to 31 December 1984. The sales volumes of most of the other metals were similar to those in the previous period.
2. The average dollar prices achieved for all metals sold, except rhodium, nickel and cobalt were lower. However, due to the decline in the average value of the rand against the dollar, the average rand price achieved was higher for every metal, and consequently, profit before provisions increased by 80.4% to R285.7 million from R158.4 million, and profit after taxation increased by 75.8% to R104.6 million. Earnings per share were therefore 83.5 cents (47.5 cents).
3. In the light of these improved results and the Company's sound financial position the interim dividend has been increased to 52.5 cents per share (35 cents).
4. If the high current rand prices for platinum and other metals persist for the next six months, then, in the absence of unforeseen circumstances, profits in the second half of the current financial year will also show a substantial increase over those earned in the six months to 30 June 1985, though the improvement is likely to be less than the increase recorded for the first six months of the year.
5. Capital expenditure for the six-month period amounted to R53.2 million (R34.1 million) of which R51.6 million (R30.7 million) was charged to the renewals and replacements reserve as on-going capital expenditure.

For and on behalf of the Board
G H Waddell } *Directors*
K W Maxwell }

DECLARATION OF DIVIDEND

Dividend No. 64 of 52.5 cents per share, South African currency, has been declared payable to members registered in the books of the Company at the close of business on 7 February 1986. The conditions of payment, which can be obtained from the Company's Head Office or from the London Secretaries, provide inter alia that the dividend shall be converted to the United Kingdom currency at the rate of exchange quoted by the Company's Bankers on 24 February 1986. South African Non-Resident Shareholders' Tax at the rate of 15% and United Kingdom Income Tax will be deducted where applicable. The Register of Members will be closed from 10 February 1986 to 14 February 1986 both days inclusive. Dividend warrants will be posted on 6 March 1986 and will be payable on 7 March 1986.

By order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
Secretaries Per: R B APPLETON

Head Office and Registered Office
Consolidated Building, Corner Fox and Harrison Streets, Johannesburg 2001.
P.O. Box 590, Johannesburg 2000.
London Secretaries
Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

20 January 1986

Copies of this interim report can be obtained from the London Secretaries

Campbell Red Lake buys stake in Kiena

By Kenneth Marston in London

CAMPBELL RED Lake is strengthening its position as leading Canadian gold producer by the purchase for C$86.6m (US$60.2m) of Falconbridge's 56.7 per cent holding in Kiena Gold Mines.

Campbell Red Lake is paying C$26 a share for the 3.33m Kiena shares. The price was based on the closing market level of C$24.75 on January 15. There is no intention to extend the offer to other shareholders of Kiena.

The estimated gold production of Kiena for 1985 is 70,000 oz. That of Campbell Red Lake is 272,000 oz, which includes the company's stake in the Detour Lake and Dee Gold mines.

UK financial consultant expands in US

By Terry Byland in New York

DEWE ROGERSON, the UK-based financial communications agency, has appointed Ms Carol A. Ruth president and chief operating officer of its US subsidiary as part of an expansion in the US.

Ms Ruth, formerly senior vice president at Hill & Knowlton, where she worked for 17 years, will head Dewe Rogerson's operations in New York, serving existing international clients and also seeking to expand the US client base.

"Financial communications must follow markets towards internationalisation," she said. Dewe Rogerson clients already include prominent US names such as Shearson Lehman and Manufacturers Hanover.

BfG denies capital plan

BANK für Gemeinwirtschaft (BfG), the West German union-owned bank, has no concrete plans to raise capital at the moment and has no knowledge of a possible stock flotation, Reuter reports from Frankfurt.

A bank spokesman denied a report in Der Spiegel that BfG was planning to issue *Genusscheine*, profit-sharing certificates, to raise capital.

The magazine said the bank's owners were planning to float a third of the bank's DM 1bn ($408m) existing capital on the stock exchange next year as part of a rescue plan for the trades union-owned housing firm Neue Heimat.

Norcem profits increase 50% in year

NORCEM, the Norwegian industrial and offshore group, had a profits rise of almost 50 per cent in 1985 compared with the previous 12 months, while turnover showed a 15 per cent growth for the same period, writes Fay Gjester in Oslo.

The group said its stake in Aker, the offshore fabricating and engineering group, which it recently increased from 25 per cent to 54.8 per cent, had contributed to a rise in profits after financial items of NKr 290m ($38m) compared with NKr 198m. However, the acquisition was financed by borrowing, which pushed up financial costs, the group pointed out. Total sales were more than NKr 4bn.

All Norcem's main areas of activity – cement, building materials and offshore – improved their performance last year. The companies in the offshore division achieved total profits of NKr 35m, compared with NKr 21m in the previous 12 months, mainly reflecting good earnings by Norcem's well-drilling firm, Morco.

● Three leading Norwegian shipping and shipbuilding groups have joined a Swedish state-owned group to form a company that will design, build and market floating oil and gas production platforms.

The Norwegian partners, each with 30 per cent stakes in the new company Quattroner, are shipowners Wilh. Wilhemsen and Sig. Bergesen, and the Moss-Rosenberg ship and platform building group.

The Swedish state-owned fabricating concern Gøtaverken Arendal will hold the remaining 10 per cent.

NEW ISSUE — *These Notes having been sold, this announcement appears as a matter of record only.* — DECEMBER 1985

£100,000,000

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Hambros Bank Limited — IBJ International Limited

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Morgan Guaranty Ltd — Nomura International Limited

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December 1985

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Interest Rate	$8\frac{5}{16}\%$ per annum
Interest Period	21st January 1986 21st July 1986
Interest Amount per U.S. $10,000 Note due 21st July 1986	U.S. $417.93

Credit Suisse First Boston Limited
Reference Agent

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(Incorporated in England under the Companies Acts 1948 to 1980)

£75,000,000

Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 20th January, 1986 to 21st April, 1986 the following information will apply:

1. Rate of Interest: $13\frac{1}{4}\%$ per annum
2. Interest Amount payable on Interest Payment Date: £165.17 Per £5,000 nominal or £1,651 71 Per £50,000 nominal
3. Interest Payment Date: 21st April, 1986

Agent Bank
Bank of America International Limited

Denmark's biggest savings bank is expanding, reports **Hilary Barnes**

SDS takes on the competition

TEN YEARS after legislation first placed them on an equal footing with commercial banks, Denmark's sovings banks remain a thriving business segmont.

"The necessity of earning money was in my view the most important thing we learnt from the 1975 Bank and Sovings Bank Act," says Mr Laurits Ringgaard, chairman of SDS, the biggest of the Danish savings banks.

That legislation removed a number of restrictions on the type of business which savings banks were allowed to undertake. Prior to 1975, they could not engage in foreign businoss and could not lond without security, restrictions which barred them from besic commercial banking. Farmers, the traditional customors of the savings banks, were the main exception to this rule.

There were plenty of Cassandras in 1975 who douhted whother tho savings banks would survive in competition with the commorcial banks. The expense of developing new banking divisions and educating staff, not to mention the technological challonge, wore cited as major stumbling blocks.

As there are still about 150 savings banks in Denmark, tboy bave ovldently survived their baptism, and none more so than SDS.

Denmark's fourth largest bank by balance sheet total, SDS has succeeded in building up a largo businoss londing portfolio, developed a big investment (portfolio management) division, and set up an international division represented in London, Singapore and Tokyo.

SDS's balance sheet total in mid-1985 DKr 55bn ($6.1bn) compared with DKr 13bn in 1975. "In 1975 abont 2 per cent of our loans went to tho business sector, including farmers. Today the share is obont 45 per cent," says Mr Niels Aage Nielsen, the managing director.

The bank's earnings before dopreciation, loss provisions, portfolio adjustment and tax rose from DKr 375m to DKr 439m for tho first six months of 1985. SDS's costs tend to bo slightly higher in rolation to assets than in the other banks. "But in the 1985 first balf our costs increased by only 8 per cent, the lowest rato of any of the larger banks," says Mr Nielsen.

"We have the advantage that all our profits are ploughed back (savings banks are owned by depositors and do not pay dividends). But we have a problem if we cannot earn enough to consolidate, as we can't raise capital in the market. We bavo to be a bit more conservative than the commercial banks, maintaining a higher ratio of capital to deposits and guarantees, in onr case about 11 per cent," bo says. Tbe minimum ratio undor Danish law is 8 per cent.

SDS set up its international division in 1978. And togethor with Faellesbanken (the savings banks' central bank), Andolsbanken, Provinsbanken and Bikuben (the second largest savings bank), SDS establishod o Danish project financing operation eimed at foreign loans for major public sector investment projects, especially in the enorgy sector.

SDS has also gooo into the Euromarkets, acting as lead managor for a low-coupon Ecu loan to tho EEC two years ago and subseqnently acting as load manager for loans to tho European Investmont Bank, the Nordic Investment Bank and tho Coal and Steel Union.

Mr Lanrits Ringgaard: does not rule ont corporate form

"Last spring we bed the idea that with tho Danish exchange rate stabilised it could be interesting to try a Euro-krono loan," states Mr Niolsen. Its first such loan was to the European Investment Bank, SDS has since managed two Euro-krone loans to the World Bank and ono to tho Danish finance institute for industry and crafts—the first to tho institute for which the esablished kingdom advisers—the consortium of Copenhogen Handelsbank, Danske Bank and Privatbanken, was not load managor.

In 1981 SDS acquired a 25 per cent share in London Interstate Bank (LIB). Last year it became sole ownor and is "the only European savings bank with a bank outside its own national frontiers."

Mr Niolsen declares: "Wo are trying to sell the idea that LIB is a savings banks' in London. We are trying to develop business for other European savings banks in London." A conference on this theme was attended by representatives of 40 European savings banks last spring.

What the future holds is tougher competition, not least for the business of SDS's traditional customers, the family. "Wo have to face tho fact that the margin between intorest paid on deposits and advances can be cut from olmost 6 to around 3 per cent in the foreseeable future," according to Mr Lanrits Ringgaard, who does not rulo out tho possibility that at some point SDS and othor savings banks may have to consider switching to the limited liability corporato form in ordor to secure adequato capital.

"But tho popular elomont in the managemont of the savings banks must be secured. We do not wish to exist exclusively to procure money for shareholders."

US QUARTERLIES

ARCHER-DANIELS-MIDLAND
Milling, corn refining

Second quarter	1985-86 $	1984-85 $
Net profits	67.3m	49.2m
Net per share	0.65	0.49
Six months		
Net profits	117.8m	80.8m
Net per share	1.15	0.80

AUTOMATIC DATA PROCESSING
Computerised accounting services

Second quarter	1985-86 $	1984-85 $
Revenue	290.2m	253.9m
Net profits	24.6m	20.1m
Net per share	0.68	0.57
Six months		
Revenue	561.4m	490.8m
Net profits	43.2m	35.4m
Net per share	1.19	1.00

HARTMARX
Clothing

Fourth quarter	1985 $	1984 $
Revenue	287.9m	288m
Net profits	14.1m	13.7m
Net per share	1.11	1.10
Year		
Revenue	1.1bn	1bn
Net profits	42.7m	41.7m
Net per share	3.38	3.36

HILTON HOTELS
Hotels, gaming

Fourth quarter	1985 $	1984 $
Revenue	184.3m	181m
Net profits	28.7m	46m
Net per share	1.16	1.79
Year		
Revenue	712.4m	666.6m
Net profits	100.2m	114m
Net per share	4.03	4.33

MCORP
Bank holding company

Fourth quarter	1985 $	1984 $
Net profits	28.4m	34.1m
Net per share	0.62	0.79
Year		
Net profits	132.4m	107.7m
Net per share	1.40	1.34

RALSTON PURINA
Pet foods, livestock feeds

First quarter	1985-86 $	1984-85 $
Revenue	1.33bn	1.56bn
Net profits	*174.3m	82.8m
Net per share	*2.23	0.98

* Includes $113.4m gain from sale of restaurant division, less $24.5m charges.

TANDY
Electronics retailing

Second quarter	1985-86 $	1984-85 $
Revenue	1.09bn	909.7m
Net profits	87.1m	76.5m
Net per share	0.98	0.86
Six months		
Revenue	1.79bn	1.51bn
Net profits	128.8m	113.9m
Net per share	1.45	1.26

ZALE
Jewellery retailing

Third quarter	1985-86 $	1984-85 $
Revenue	488.8m	436m
Net profits	40.2m	35.5m
Net per share	3.25	2.94
Nine months		
Revenue	909.7m	874.9m
Net profits	31.1m	37.8m
Net per share	2.51	3.13

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Distribution: Investment in transport facilities poses crucial questions for both government and the businessman. Strategically, our assignmants have included reviews of mergers and acquisitions, major feasibility studies for shipping and bus companies and systems improvement/computerisation for several national airlines. We have helped many clients reduce their physical distribution costs through improved vehicle fleet composition, routing and utilisation.

Manufacturing: Successful manufacturing enterprises are those which anticipate change and its effect. Whether products are produced by robots or by craftsmen, the problems remain the same: there must be tight control over raw materials, production scheduling, labour and overheads. Our recommendations have involved the introduction of computer-based systems in these areas for a broad spectrum of manufacturing industries.

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INTL. COMPANIES & FINANCE

Michael Thompson-Noel on the problems of a big export earner

Australian mines seek tax relief

OVER four years the Australian mining industry has donbled its asset base but seen its returns halved.

In a nutshell, that explains the glum mood blanketing many Australian mining companies, big and small. It was also the trigger for the recent call by the Australian Mining Industry Council (AMIC) for tax relief against foreign exchange losses.

Baldly, the AMIC states: "It is a glaring anomaly that while exporters pay tax on the gains from a devaluation in higher profit taxes, exchange related losses are generally not deductible. . . This tax liability must eventually flow into the cost of production."

In Canberra, the suggestion will probably sink like a lead balloon. Yet the industry's plight is real, none the less. It is remarkable that the continuing surge in Australian share prices has focused keenly of industrial, energy, and investment stocks, while skirting mining warily.

Sir Bruce Watson, chairman of MIM Holdings, the big Queensland miner, said: "Poor profitability continues to impact heavily on investment in the industry. Expenditure on fixed assets in 1984-85, at A$1.8bn (US$1.2bn), was down 14 per cent from 1983-84. Exploration programmes represent the future for the industry, and they heve fallen to disturbingly low levels.

"Exploration expenditure fell 11 per cent in 1984-85, to A$254m, and the forecast for 1985-86 is for a further fall to A$218m."

Sir Roderick Carnegie, chairman of CRA, the Melbourne-based subsidiary of Rio Tinto Zinc, said: "Those who rightly think of (last year's) depreciation of the Australian dollar as a correction to Australia's continued loss of competitiveness should not overlook the fact that many of our competitors in world markets, such as South Africa, Chile, Brazil, have also devalued their currencies significantly."

Australia's mining troubles are outlined in the latest AIDC-Coopers & Lybrand minerals industry survey, based on data from 121 respondents covering almost all Australia's minerals activity. Oil and gas is not included, so that good performing leaders like BHP and Santos do not show up in the figures.

Net profit return on average shareholders' funds rose from 4.4 per cent in 1983-84 to 5.7 per cent in 1984-85, but was still well below the average of 11.5 per cent for the nine year life of the survey.

The total net profits last year were A$640m. But Sir Bruce said thet 45 mining and exploration companies, plus nine smelting and refining companies, reported losses totalling A$472m. Of these, 36 were producing companies with an aggregate loss of A$417m.

Recently Australian minerals production has been surging sales volumes, as maturing investment programmes launched during the resource-boom bubble of the late 1970s and early 1980s came on stream.

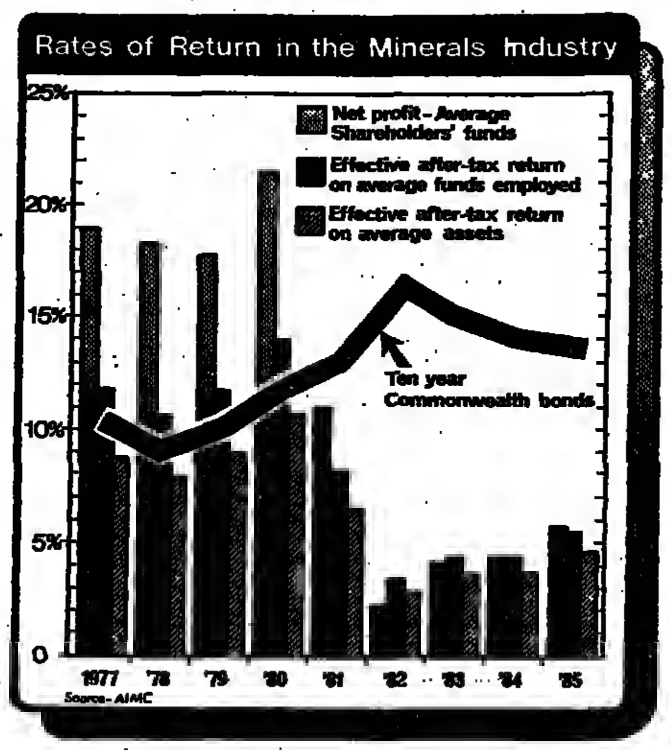
For example, in 1984-85, the production gains were: aluminium, up 41 per cent; iron-ore up 31 per cent to 93m tonnes, reflecting increased competitiveness in the Pilbara mines and improved demand for steel; manganese, up 31 per cent; gold, up 19 per cent to 32,000 kilograms; black coal, up 19 per cent to a record 101m tonnes—helping Australia become the world's largest coal exporter.

However, five years of low profits have bitten deeply into new investment programmes. The bulk of investment last year was in gold mining and plant upgrading: only 7 per cent was directed to green field projects.

Except for Roxby Downs uranium-gold-copper project in South Australia, in which the partners are Western Mining and BP Australia, there are thought to be no large projects due for start-up (though this excludes the massive export phase of the North-West Shelf natural gas venture off Western Australia).

Forecast capital investment for 1985-86 is A$2.2bn, yet the biggest single component of this estimate is the Portland aluminium smelter in Victoria, begun some years ago, then mothballed.

Despite some recovery in demand, real world metal prices remain depressed. Although 1985's sharp depreciation of the Australian dollar meant significant price improvements there were also significant costs, the AMIC says. Gains were partly offset by exchange losses on borrowings, increased interest charges, and the higher cost of imported raw materials and machinery.



Sir Roderick said that AMIC respondents realised foreign exchange losses on transactions in 1984-85 of A$317m, against A$44m previously. Unrealised losses at last June 30 were about A$1bn.

Because of the large sums involved in mining projects and the smallness of Australia's capital merket, the industry continually borrows offshore. At June 30, total overseas borrowings by AMIC respondents were A$8.9bn. This is much less than annuel mining export earniegs of over A$12bn, whereas for Australie as a whole, total outstanding debt is elmost donble annual export earnings.

As well as asking that exchange losses be made tax deductible, Australian mieing companies are pressing for reform on other fronts as are the country's farmers, who have been even more viciously squeezed by low commodity prices, high domestic costs, and rampant protectionism.

The mining companies seek a tougher stance on wages. They waet foreign investment guidelines to be abandoned; a reduction in government charges, including abolition of fuel excises and the coal export duty; and further cuts in Government expenditure.

The burden of Government taxes end charges is the mining industry's most heartfelt complaint. Sir Bruce Watson said that over the past five years, mining industry payments to both federal and state governments have risen from A$1.8bn to more than A$3bn. This is 22 cents per dollar of revenue, against the 4.6 cents per dollar that shareholders get.

"The mining industry now has an investment totalling A$3.2bn in the nation's infrastructure, including A$1.1bn in items such as housing, community facilities, hospitals, schools, community roads, town power and water supply. Most of this infrastructure is normally provided by governments," Sir Bruce adds.

The picture is not all bleak. Despite four years of poor profits, Australian mining has spent billions on expanding capacity, and now has valuable, highly productive assets ready and waiting for the next decade and beyond.

It says that when the call comes, it will be ready — which seems to beg a very big question.

INTERNATIONAL COMPANIES and FINANCE

Pakistan to float shares in seven state groups

By Mohammad Aftab in Islamabad

THE PAKISTANI Government has outlined a privatisation programme which involves tho sale of minority stakes in seven leoding companies tn raise some PRs 2bn ($125m).

All sevon are profitable and regularly declaring dividends. They include Pakistan State Oil, the petroleum distributor, and Pakistan International Airlines (PIA), the national flag earrier.

Two utilities, the Sui Gas Transmission Company and Sui Northorn Gas Pipelines—whieb together distribute natural gas throughout the country—are also includped. The three other companies in which stocks will be offered to publie are Pak-Saudi Fortiliser Company, Dandot Cement, and Sind Engineering.

The naming of the sovon companies has beliod public foars that the Governmont wants only to got rid of loss making businosses which would not be attractive to investors. Most of the sevon came undor government eontrol in 1972 as a result of the major nationalisation of basie industries, banking and lifo insuranee by Mr Zulfikar Ali Bbutto, the then Prime Minister.

Mr Bhutto had taken the step in order to help establish a socialist economy in Pakistan, although the country bas remained committed to a Western style free onterprise oconomy.

The Government, to attract publle investmont in these stocks, has decidod to price tho shares so that they can yield dividends of around 17.5 per cent a year. The shares will be sold in two equal tranches, and the programme ls schednled to he completed by June, the end of the current fiscal year.

The flotations will be lead-managed by the government finaeial institutions and investment banks such as Bankers Equity and the National Development Finance Corporation (NDFC). Investment Corporation of Pakistan will also particlpato as a member of the underwriting consortium.

Some 5 per cent of the issues will be reserved for employees of the seven companies, through their provident and welfare funds.

Matsushita Electric ahead in year

BY YOKO SHIBATA

MATSUSHITA Electrical Industrial, the world'a top electrical appliances maker, lifted parent company pre-tax profits 6 per cent to a record of Y250.35bn ($1.24bn) in the year to November 20, 1985.

Net profits were 10 per cent higher at Y111.7bn on turnover of Y3,424.5bn, up 5 per cent from the previous year.

The performance reflected strong demand, especially for its video cassetto recorders (VCRs) combined with a Y9.9bn increase in the net income on its financial balance, whieh more than offset a marginal fall in the ratio of operating profits to net sales.

The company is known jocularly as "Matsushita Bank" because of its abundant financial assets. These reached Y1,026.7bn at the end of the latest year, above tho Y1 trillion mark for the first time.

Matsushita also announced that Mr Toshihiko Yamashita is to step down as president, to be sneceeded by Mr Akio Tanii, currently executive vice-president. The change in top management will become effective after it is approved at a shareholders' meeting to be held on February 19.

Mr Yamashita, aged 66, joined the company in 1938 and has been president since 1977. He will stay on as a director and executivo advisor. Mr Tanii, who joined Matsushita in 1956, took responsibility for the company's VTR operations in 1972, and over the following decade led the company's rise to become top manufacturer of VHS-formula VCRs in tho world. He has been vice-president for three years, and is aged 57.

For the latest year, sales in tho video equipment sector were 8 per cent higher at Y1,105.4bn, helped by sustained export growth to North America and a boost in colour television exports to China during the first half.

In the andio equipment division, however, sales fell 5 per cent to Y274.7bn despite rising output of compact disc players. Turnover in bousebold electrical appliances expanded by 7 per cent to Y629.3bn, reflecting an increase in sales of air conditiooers helped by a beatwave last summer. Communications and industrial equipment sales grew 7 per cent to Y656.5bn, attribnted to demand for its office and factory automation eqnipment.

Its per-share annual dividend is unchanged at Y10.

For the current year, Matsushita expects to suffer a sea-change in business environment. Adverse factors include the yen's steep appreciation, a sales fall in VCRs and curbs on TV imports into China. Pre-tax profits are forecast to remain virtually statie at Y251bn on projected sales of Y3,520bn, an increase of 3 per cent.

China restrains local banks

BY ROBERT THOMSON IN PEKING

THE CHINESE Government has ruled that local governments and individuals are not to be allowed to establish banks. The move reflects the reluctance of central authorities to relinquish financial control.

Under the regulations China's Central Bank, the People'a Bank of China and other financial institutions must carry out state financial policies and stabilise economie growth.

Last year China was hit by a flood of lending by local bank branches competing against each other. The Central Government moved early to halt the increase in credit, and the new regulations take those restrictions a step further.

The People's Daily described the legislation as a "legal guarantee for ensuring the regulatory role of banks in China.

The country has five major specialised banks under the People's Bank — the Bank of China, the Agricultural Bank, the Construction Bank, the Industrial and Commercial Bank, and the China Investment Bank — and tho legislation reasserts their power to decide on loans and bear responsibility for the risks involved.

Metropolitan Life to go public

By Jim Jones in Johannesburg

METROPOLITAN LIFE the South African lifo assurer, is to go public hy moans of a R47.25m ($20.6m) share issuo "to enhance Metropolitan's future growth potontial and oxpansion."

At present Metropolitan is a wbolly-ownod subsidiary of Sanlam, the country's second largest insurance group. After the issue Sanlam will hold 65.3 per cent of the equity.

Metropolitan differs from Sanlam, which was founded on Afrikaner savings, in that it has coocentrated its marketing effort on the black community whicb geoerally comprises the lowor income group. Abont half tho company's business is transacted with hlacks, about 30 per eeot with those classified as coloured (mixed race) and Asians, and the rest with whites.

Since 1980 premium and investment incomo has risen to R290.6m from R111.5m, while total assets bavo increased to R919m from R353m.

The prospectus forecasts taxed earniogs nf at least R8.5m in the current financial yoar, which ends in September, against the past year's R4.5m.

Tho issue of 15m shares will be priced at R3.15.

Strong first-half advance at Rustenburg Platinum

BY OUR FINANCIAL STAFF

RUSTENBURG PLATINUM, one of the leading South African producers of the metal, showed a strong rise in pre-tax profits to R245.8m ($107m or £74.3m) for the six months to December, compared with R125.7m.

Not earnings emerged at R104.6m nr 83.5 cents a share, against R59.5m or 47.5 cents per share. The dividend is being increased from 35 cents to 52.5 cents.

Transfers to reserves were also increased substantially, to R38.8m eompared with R15.6m.

Sales volumes in platinum were lower and those of gold, nickel and irridium higher than those in comparahle six months of 1984, the directors say. Sales volumes of most other metals were similar to those in the previnus period.

Average dollar prices achieved for most of the metals sold were lower, thoy add. However, due to the deeline in the value of the rand, the averago rand price achieved was higber for every metal. Consequently, profit before provisions increased by 80.4 per cent to R285.7m.

If high current rand prices for platinum and other metals persist for the next six months profits in the second half of the current year are also expected to show a substantial increase over those earned in the period to June 1985.

ANZ to be split into eight divisions

AUSTRALIA and New Zealand Banking Gronp (ANZ) is to be reorganised into 50 subsidiaries gronped in eight strategie divisions, Renter reports from Melbourne.

Sir William Vines, ehairman, ontlined the ehanges at the annual meeting yesterday. They represent in part a further consolidation of Grindlays of the UK.

The sectors — three Australian gronps, a global treasury and four international groups —will be supported by a small corporate centre, responsible for overall group policy and strategy, Sir William said.

At the same time he forecast a further modest profit profits improvement in its current year to September. First-quarter earnings were ahead of those a year earlier, he told the meeting, without giving figures.

In 1984-85, the group lifted net earnings to A$320.2m (US$224m) from A$283.8m. Benefits from acquisitions which have begun to flow to the group will increase progressively in future years, he said.

The bank is also to lift authorised capital to A$600m. from A$450m. The increase will allow a wider margin of unissued capital available for the future, Sir William said.

Within Australia, the operational regrouping will bring retail banking, Australian branch activities, data processing and electronic network services into a new retail banking sector.

Harriet output starts

THE HARRIET oilfield, Western Australia's first commercial offshore oil producer, has begun production, Reuter reports from Perth.

Bond Corporation Holdings is its operator and owns 46.53 per cent. Initial production is 4,000 barrels per day, rising to 8,500 b/d by end-February, Bond said. Harriet is producing from five wells, with five more planned for mid-1986.

The eight-company field consortium agreed to develop the project last January.

INTERNATIONAL COMPANIES and FINANCE

How Sir Gordon fought the sharks and won

BY TERRY DODSWORTH IN NEW YORK

IT WOULD be difficult to find a greater enthusiast for the American corporate system than Sir Gordon White, the Yorkshire businessman who has led Hanson Trust's triumphant charge into the US over the past 12 years. But in one aree he gives the UK an unequivocally superior rating. The British method of deciding takeovers, he says, is far better than the American.

"When you get down to the bottom line, takeover battles in the US are a form of street fighting. There are no holds barred — private detectives, smear campaigns, they are all part of the game. And thore is no responsibility to ask the shareholders anything."

Sir Gordon is perhaps uniquely placed to make such comperative judgments. As one of the two main erchitects of Hanson Trust's acquisition-led growth, he has witnessed fierce bid battles on both sidea of tho Atlantic. None of them has been more bruising than his most recent fight—the successful struggle egainst Merrill Lynch, the largest US securities firm, for the acquisition of SCM of New York.

The contest for SCM has confirmed Sir Gordon's profound distaste for tho role of the lew and somo of the tactics that are employed in US takeover battleo.

At o personal level, the techniques can be rough on executives who are not used to hoving their private lives and business ethics challenged. Sir Gordon, for example, says bis sffairs were scrutinised by private detectives. Even worse, he was submitted to a gruelling pre-trial deposition, e process in which opposition lawyers heve a free band to baul in o witness and ask embarrassing questions about anything under the sun.

Lawyers also employ gamesmanship to keep their opponents on edge in the court proceedings. When the trial started, Sir Gordon was several times summoned to the courthouse on false alerts, and once sat for a whole day without being called. There were court references and insinuations obout previous Hanson brushes with the law in the US, to the point where the company put out an official statement contesting the allegations.

The duration of the litigation over SCM, lasting five months and embrocing two different legal cases, both of whicb went to appeal, was somewhat unusual. But the mothods by which the contest was fought were not. Takeovers in the US quite often come down to a question of who wins in the courtroom, and even if they do not, they are conducted within a highly legalistic framework. The effect of this system, Sir Gordon argues, is to make the interests of shareholders secondary to those of the participants in the action.

He pins tho main distinction between the US and the UK on the so-called "business judgment" rule, around which o large body of case law has grown up in the US. This broadly stotes thet directors know what is best for e company, and has been used to allow directors — and sitting managements — o great deal of discretion in the way they defend their companies from attack during a takeover.

The use of the colourfully named anti-takeover devices — the Scorched Earth Policies, tho Poison Pills and tho Golden Parachutes — all derive from these discretionary boardroom powers. To ovoid a takeover, a company in the US can virtually dismember itself, or geer itself up to the eyeballs in debt, without once consulting shareholders.

"In Britain, the moment the tender is out, the clock stops," says Sir Gordon. "The only method of fighting you off is on the basis of the value of the company, and that can only accrue to the benefit of shareholders.

"Shareholders in the US really have not got anywhere near the rights of shareholdors in Britain, because they are not asked for thoir opinion. Of course they can take issues to court—but can they afford to do it? And in Britain shareholders are also protected by the press, which doesn't hesitate to give advice whenever s bid appears. Hore, the press does not comment on the value of a bid."

What are the lessons of Hanson's experience for other European companies seeking acquisitions in the US? First, says Sir Gordon, it is essential for companies to have executives ot hand who know the market intimately and have the authority to act swiftly.

The combative nature of US bid battles, with the adversaries constantly fencing and feinting for o weakness in the opposition's armour, means that tactical decisions have to be made on the spot, and eometimes with little time for detailed doliberation. A striking example of this was Sir Gordon'o decision to commit $250m to the acquisition of around a third of SCM's stock in obout 1½ hours of rapid buying after the termination of its initiel tender

Sir Gordon White of Hanson Trust has a profound distaste for US bid tactics

Second, Sir Gordon believes that an acquirer has to go into battle with an ample supply of funds. In the UK, Hanson normally bids with paper, but in the US it uses cash, because that is what American institutions prefer.

Without cash, Hanson would not bave been able to snap up the one-third of SCM, a move which became a crucial issue in the legal battle, and also provided the company with a strong bargaining position.

Third, a bidder in the present US market needs o thick skin and a pugnacious temperament. Few hostile bids are likely to be as gruelling as Hanson's, which generated 3,000 pages of depositions, 2,500 pages of courtroom testimony, and 104 pages of exhibits. But it is no longer easy to acquire companies through friendly mergers in the old-fashioned way, and the alternotive inevitably means plunging into tho uncertain, shark-infested seas of litigation.

Belgium to refinance $900m in two deals

By Peter Montagnon, Euromarkets Correspondent

BELGIUM is preparing to launch Euromarket borrowings totalling $900m as part of plans to refinance at lower cost existing credits carrying margins of around ¼ point over the London interbank offered rate (Libor).

Finance Ministry officials in Brussels say they have invited bids for e $400m floating-rate note and a $500m multi-currency credit. The invitation is understood to have provoked a flood of enquiries from would-be lead managers.

Last autumn Belgium raised $300m in the Eurocredit market through s deal carrying o margin of ¼ per cent, which was syndicated exclusively among local institutions.

This time round it is looking for e broader international participation and s lower margin of just ⅛ per cent over Libor, marking o new low in pricing on o Eurocredit for a top-rated industrial country borrower.

Even at this level, however, the credit would be more costly to Belgium than the floating-rate note, on which it is aiming to pay interest at Libor flat.

A decision to split the borrowing and tap both tho bond and credit markets was taken to svoid overloading the bond market with Belgian paper and because tho credit offers the additional flexibility of s multi-currency option.

Belgian officials *said* thoy could not be sure when mandates for the deals would be awarded, though it is possible that decisions could be taken later in the week.

Elsewhere Norway's Bergen Bank is arranging o $200m Euro-commercial paper programme for which it will act as doaler alongside Credit Suisse First Boston, Enskilda Securities, Merrill Lynch and Morgan Stanley. Citicorp has revealed terms on its $100m facility for Mayne Nickless, the Australian security and freight concern.

The five-year deal involves o note programme backed up by a $60m revolving underwriting facility. Banks will receive o facility fee of 10 basis points for underwriting the salo of notes at s maximum yield of 15 basis points over Libor.

If more than half any issue of notes is returned to underwriters, the borrower will pay an additional utilisation fee of five basis points.

W. R. Grace convertible brightens Eurobond gloom

BY MAGGIE URRY

W. R. GRACE, the US chemicals and natural resources group, launched a $250m convertible Eurobond issue yesterdoy as part of the financing of its $598m purchase of its shares from Flick, the West German industrial group.

The issue was one of the few bright spots in a depressed Eurobond market, suffering the lack of any lead from the G5 meeting of finance ministers over the weekend. Prices were about ½ points lower. The US Treasury bond market was closed for Martin Luther King Day, but in London and in the futures markets Treasury bonds were also weak.

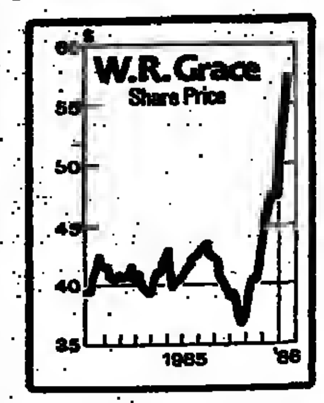
Terms on Grace's issue were set at a 15-year life with an indicated coupon of 6¾ to 7¼ per cent and a par issue price. Investors will have a put option after five years to give s yield of 9½ to 9¾ per cent. The conversion price is expected to be around $65.

Grace bought 26 per cent of its own shares, previously owned by Flick, from Deutsche Bank in December, following the bank's purchase of Flick. The 13.6m shares were bought ot $43½. Later last month Grace lounched an offering of 2½m shares in the US at $48. Yesterday the shares were trading around $53⅞ after closing last Friday et $57½.

The gronp is also selling its retailing interests, as part of a corporate restructuring, a step which could raise $600m.

The convertible issue was warmly received, offered st 99 or even higher, well inside total commissions of 2½ per cent. Leed manager is Credit Suisse First Boston with Merrill Lynch.

CSFB was critised for another deal yesterday, however, e $150m seven-year issue for Credit National, the French Government agency for financing industry. Although French paper is popular, syndicate managers said that the terms were too aggressive. The coupon was set at 9⅝ per cent and issue price at par. With fees of 1⅞ per cent, the cost to the borrower was sbout 20 basis points above the yield on US



Treasury bonds st tho closing level on Friday, but ot s tighter margin at the time of launch, according to other syndicate managers.

One said, "to leunch on o day like today is bad enough, but on these terms it's practically unsaleable." The lead manager was offering paper st 98½ per cent but was not making a bid in the grey market. Elsewhere the bonds were bid at 97½. Traders suggested that the pricing of the issue reflected the increased competition in the market for mandstes.

Other recent deals were also suffering. Italy's controversial $200m five-year issue was trading outside its fees, while the $50m seven-year deal for Federal Business Development Bank of Canada was seen at around 95½.

The recent issue with equity warrants for Sumitomo Corporation met good demand and lead manager Daiwa Europe yesterday increased the issue size from $100m to $120m. The coupon was also cut from 5 per cent to 4¾ per cent. The bonds continued to trada well st ebout 102.

In the Euroyen market Beneficial Corporation, the US consumer finance group, launched a Y10bn nine-year deal with a 6½ per cent coupon and 101 issue price. Lead manager is Yamaichi International (Europe). The lead manager quoted o bid price of 99, though other traders were bidding at 98½. There have been a large number of issues in the sector recently; most are taking advantage of attractive swaps.

Yamaichi set terms for Kubota's Y20bn issue with equity warrants as indicated with a 3 per cent coupon.

The D-Mark market was also disappointed that the G5 meeting did not produce an sgreement to cut interest rates. The market was down by obout ¼ point in quiet trading.

The European Investment Bank lounched s DM 300m 10-year deol with o 6⅝ per cent coupon and par issue price. Lead manager is Deutsche Bank and the syndicate was completed by German banks. The issue is non-colleble, a feeture which sttracted investors. Traders welcomed a realistically priced straight issue end the bonds were trading sround 99½, well inside the 1⅞ per cent fees.

No new issues were lounched in the Swiss franc foreign bond market. Here, too, trading was dull as dealers' bopes of interest rate cuts receded. Prices were ¼ to ½ point lower.

TSE to list Shogun bonds

By Yoko Shibata in Tokyo

THE TOKYO Stock Exchange (TSE) is to list Shogun foreign currency bonds and bonds with warrants from early March.

Thero have been three Shogun bonds issued in Tokyo markets, of which three are quoted in US dollars—by the World Bank, the State of New South Wales, and the Bank of China—and another in Australian dollars by Victorian Public Authorities Finance Agency.

Moody's to rate bank debt

BY OUR EUROMARKETS STAFF

MOODY'S, the US credit rating agency, has begun rating bank certificates of deposit and other senior debt obligations

The service reflects the growing diversity of debt instruments used by banks. It is intended to help investors — ranging from corporete treasurers to central banks, pension funds, money market funds and even bank money market desks themselves — to assess relative credit risks.

Moody's believes the ratings will also help corporations and other bank customers in assessing the value of back-up lines of credit and other bank commitments.

Besides certificates of deposit, the service will cover interbank placements, bankers' acceptances and obligations to deliver foreign exchange.

For short-term deposits, Moody's will use tho same categories currently in use for commercial paper, whilo its bond rating categories will apply to deposit debt of more than one year.

"The new research service is designed to offer risk comparisons between the increasingly complex range of debt issued by banks, their holding companies and subsidiaries around the world," according to Mr Kenneth Pinkes, director of Moody's Financial Institutions Group.

DOMESTIC BOND MARKETS

Disappointment in Tokyo

DISAPPOINTMENT in Tokyo over e lsck of agreement on e co-ordinated cut in interest rates by the Group of Five nations over the weekend triggered selling of yen bonds in slow but nervous trading. The markot now see little chance of s Japanese discount rate cut in the near future.

Tho yield of benchmark No. 78 6.2 per cent 10-year government bond endod st tho day's high of 5.84 per cent against Saturday's 5.69 per cent.

Major domestic securities houses retreated to the sidelines and several foreign banks were said to be going short in the No. 78 issue as were some medium-sized brokers.

There was a lsck of interest in the market as New York is closed for s holiday and traders will wait to see how U.S. government prices fare before making any significant moves in Tokyo. Dealers will also wait for New York to reoct to the 1985 fourth-quarter preliminary U.S. GNP growth rete, scheduled to be released on Wednesday.

Thin trading in Frankfurt

Public authority bond prices ended bourse trading in Frankfurt easier in very thin trading, with most investors sidelined after the G5 meeting rejected coordinated cuts in interest rates. Friday's sharp fall on US credit markets underscored weaker sentiment.

Prices fluctuated between losses of 30 pfennigs and gains of 15 pfennigs in longer moturities, with the short end of the market shedding an average 5 pfennigs.

The Bundesbank bought DM 6.2m of domestic paper after selling DM 15.7m on Friday.

The recent 1995 6½ per cent and 6¾ per cent federal government loan stocks fell 15 pfennigs to 101,35 and 102.90 respectively.

Zurich lower

Swiss franc bonds closed slightly lower in Zurich on very small turnover. Dealers said the failure of the London G5 meeting to cut interest rates disappointed some investors.

The 4¾ per cent government bond closed unchanged, but the 5 per cent Cantonal Bank of Zurich fell ¾ points to 102.75 per cent. Dealers said this was s "hazard price" probably due to be changed tomorrow.

Domestic bonds with warrants were mostly lower in line with the weaker trend in the stock market.

Agencies

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on January 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅛ 92	100	101⅞	102⅜	−0⅛	+0⅛	9.91
Amex Credit 10⅞ 90	100	104⅛	104⅝	−0⅛	+1	9.51
Atlan. Richfield 10⅜ 00	250	98⅝	99⅛	+0⅛	+0⅛	10.38
Australia Com. 11 95	200	107⅛	107⅝	−0⅛	+1	9.73
Australia Com. 11½ 00	100	108⅝	109	−0⅛	+0⅛	10.00
BP Capital 11⅞ 92	150	105⅝	106⅛	−0⅛	−0⅛	9.77
Campbell Soup 10½ 95	100	105⅝	106⅛	−0½	+1⅞	9.52
Canada 11⅞ 90	600	107¾	108⅛	−0⅛	+0⅛	9.09
Canadian Pac. 10⅝ 93	100	104⅞	105⅛	−0⅛	0	9.72
Canadian Pac. 12½ 99	75	109⅝	110	−0⅛	−0⅛	11.06
CEPME 10⅝ 91	100	102¼	102¾	−0⅛	+0⅛	9.52
Chevron USA 12¼ 89	600	104⅝	105⅛	−0⅛	+0⅛	10.53
Citicorp 10 89	200	101⅛	101⅝	−0⅛	−0⅛	9.36
Citicorp 10⅜ 95	200	101⅛	101⅝	−0⅛	+0⅞	10.36
[illegible]	200	105⅝	106⅛	−0⅛	−0⅛	10.18
Denmark Kgdm. 11¼ 89	100	104½	105	−0⅛	+0⅛	9.47
Denmark Kgdm. 11⅞ 90	100	105⅝	106⅛	−0⅛	+0⅛	9.71
Denmark Kgdm. 11½ 92	100	106⅞	107⅜	−0⅛	+0⅛	9.90
EDF [illegible]	200	100⅜	100⅞	−0⅛	+0⅛	9.90
EEC 9⅝ 90	300	100⅝	101	−0⅛	+0⅛	9.40
EEC 11⅜ 90	100	105⅝	106⅛	−0⅛	+0⅛	9.29
EIB 12 95	200	111⅞	112⅜	−0⅛	+0⅛	9.96
Eli Lilly 10⅝ 92	150	104⅝	105⅛	−0⅛	+1⅛	9.22
Export Dev. Cpn. 10 90	100	102⅝	103	−0⅛	+0⅛	9.18
Export Dev. Cpn. 12 89	100	108⅜	108⅞	−0⅛	+0⅛	9.19
Fed. Dep. Strs. 10⅛ 95	100	101⅞	102⅜	−0⅛	+0⅛	9.74
Ford Motor Crd. 10⅜ 91	150	101½	102	−0⅛	0	10.07
Ford Motor Crd. 11⅜ 90	100	104⅝	105⅛	−0⅛	+0⅛	9.83
Ford Motor Crd. 12 95	100	107⅜	107⅞	−0⅛	+0⅛	10.64
Gen. El. Cred. 10⅝ 00	200	102½	103	−0⅛	+0⅛	9.87
GMAC 10⅛ 89	200	102½	103	−0⅛	−0⅛	9.22
GMAC 10⅜ 92	250	101⅞	102⅜	−0⅛	+0½	9.84
IADB 9⅞ 95	200	100⅝	100⅞	—	—	9.81
IADB 10½ 95	150	103½	104	−0¼	+0⅛	9.86
Kellogg Co. 10¼ 90	100	103⅝	104⅛	−0⅛	−0⅛	9.62
Kellogg Co. 11⅞ 92	100	104⅞	105⅜	0	+0⅛	10.07
LTCB 12⅞ 91	100	112⅞	113⅜	−0⅛	+0⅛	9.77
Mitsui Trust 11½ 90	100	†105⅝	106⅛	−0⅛	+0⅛	9.99
Nippon Cr. Bk. 10⅛ 95	150	104⅜	104⅞	−0⅛	+1⅛	9.87
Pillsbury Co. 10⅝ 93	100	100⅝	101⅛	−0⅛	+0⅛	10.06
Proct. & G. 'A' 9⅞ 92	150	100⅜	100⅞	—	—	9.75
Pru Realty S. 12⅞ 95	546	109⅝	110⅛	−0⅛	+0⅛	10.36
Qantas Airways 10⅝ 95	140	103½	104	0	−0⅛	9.73
Quebec Hydro 11⅞ 92	100	107⅝	108	−0⅛	+0⅛	9.88
Queensld. Gvt. 10⅜ 95	100	102⅞	103⅜	0	+1⅛	9.82
Ralston Purina 11⅜ 95	150	107⅝	108⅛	−0⅛	−0⅛	10.35
Ralston Purina 12⅝ 89	100	108⅞	109⅜	−0⅛	+0⅛	9.69
Saskatchewan 10⅜ 92	100	104⅝	105⅛	−0½	+0½	9.63
Saskatchewan 11⅞ 89	100	†107⅜	107⅞	−0⅛	+0⅛	9.46
Statoil 10 90	170	101⅞	102⅜	−0⅛	+0⅛	9.38
S. Wales Trsy. 11⅜ 90	186	106⅝	107⅛	−0⅛	+0⅛	9.69
Swed. Exp. Cred. 10 92	100	101½	102	−0⅛	−0⅛	9.60
Sw. Ex. Cr. 12⅞ 89 XW	100	107⅝	108⅛	−0⅛	+1	10.00
Sweden Kgdm. 10⅞ 90	200	104⅝	105⅛	−0½	+0⅛	9.43
Sweden Kgdm. 11½ 89	200	106⅝	107⅛	−0⅛	+0⅛	9.30
Sweden Kgdm. 11⅜ 94	100	108⅜	108⅞	−0⅛	+0½	10.90
Tenneco Cpn. 10⅜ 95	150	103⅜	103⅞	−0⅛	+1⅞	10.13
Utd. Tech. Fin. 10⅝ 95	100	102⅜	102⅞	−0⅛	0	10.10
Victorian Rep. 11⅜ 92	150	107⅝	108⅛	−0⅛	+1	9.87
World Bank 10⅜ 95	300	102⅝	103⅛	−0⅛	+0⅛	9.82
World Bank 12⅞ 94	200	116⅝	117⅛	−0⅛	−0⅛	9.94

Average price changes... On day −0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	†107	108	0	+0⅛	6.81
Austria Republic 7⅝ 94	200	†105	106	+0⅛	+0⅛	6.72
Baxter Travenol 7⅝ 94	200	†101⅞	102⅜	0	−0⅛	6.92
Copenhagen 7⅝ 95	150	†101⅛	102⅛	0	0	7.10
Credit National 8⅛ 94	200	†107	108	0	+0⅛	6.88
Dow Chemical 6⅝ 95	300	†101⅞	102	0	+0⅛	6.51
EIB 7⅛ 94	300	†104	104½	+0⅛	−0⅛	6.60
ESCOM 8 92	150	†94	95	0	+0⅛	9.19
Ex.-Im. Bk. Korea 7⅝ 90	100	†100⅝	101⅛	0	0	7.40
Ferrovie Dello St. 6 91	100	†104⅛	105⅛	−0⅛	−0⅛	6.82
Finland Republic 7 92	200	†102⅞	103⅜	+0⅛	0	6.33
Gould Int. Fin. 7⅝ 91	100	†104⅛	105⅛	0	0	6.42
Ireland 8⅝ 92	150	†105	106	0	−0⅛	7.01
Japan Fin. Con. 7⅝ 91	100	†104⅝	105⅛	0	+3	6.55
Mtsbshi. H. 3⅞ 89 WW	300	†160	161	−0⅛	+0⅛	−11.17
Mtsbshi. H. 3⅞ 89 XW	300	†92⅛	93⅛	0	8	6.06
Mtsbshi. M. 3⅞ 89 WW	100	†106⅞	107⅜	+0⅛	+2⅛	1.38
Mtsbshi. M. 3⅞ 89 XW	100	†91⅞	92⅞	+1	+0⅛	6.45
Quebec-Hydro 7⅝ 95	200	†104	100	0	+0⅛	6.46
Renfe 7⅛ 95	100	†104⅛	105	+0⅛	+0⅛	7.06
Soc. C. Nuclear 7⅛ 95	150	†100⅝	101⅛	0	−3	7.09
Soc. C. Nuclear 8 91	100	†105	100	0	+0⅛	6.75
S. Africa Tran. 7⅝ 92	100	†92	93	0	+0⅛	9.14
World Bank 7 95	800	†102⅛	103⅛	0	+0⅛	6.56

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap. Con. 5⅝ 94	130	†102	102⅛	0	0	5.07
Gr. Land Comp. 6⅝ 89	75	†105	105⅛	0	+0⅛	5.94
Council of Europe 0 92	120	†105⅛	106	+3⅛	+2⅛	4.98
Creditanstalt 6⅝ 94	100	†101	101⅛	0	+0⅛	5.34
Deutsche Bk. 5⅞ 95	100	†104	104⅛	−0½	−0½	4.80
EIB 5⅞ 94	120	†103	103⅛	−0⅛	−1	5.41
Gen. Occidentale 4½ 94	80	†106	108	−2⅛	−2	0.38
Glendale F. S&L 5⅞ 95	100	†99	99⅛	0	0	5.82
Ind. F. Finland 6⅝ 94	40	*†101½	101⅛	0	−0⅛	5.51
Int. Am. Dv. Bk. 6⅝ 94	120	†103⅛	103½	−0⅛	−0⅛	5.62
N. Zealand Steel 5⅝ 96	70	†101⅞	101½	−0⅛	+0⅛	5.88
Oberos. Kftwk. 5⅝ 95	100	†102	102⅛	0	−1	5.08
Olivetti Intl. 6⅝ 95	100	†102	102⅛	0	+0⅛	6.21
Pepsico 5⅛ 95	130	†103⅛	104	0	−0⅛	4.72
Ralston Purina 6⅛ 94	125	†102	103⅛	+0⅛	−0⅛	4.93
Santos Finance 6 94	130	†101	101⅛	0	+0½	5.83
Tokyo Elec. Pr. 5⅞ 93	120	†104⅛	104⅛	+0½	+1½	4.71
Tokyo Metropolis 6⅛ 94	80	*†103	103½	−0⅛	−0⅛	4.78
World Bank 5⅛ 94	150	†104½	104⅛	+0⅛	+1	5.09

Average price changes... On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat. Tel. 6⅛ 92	25	97⅛	97⅝	−0½	−0⅛	6.74
Goodyear T. & R. 7⅝ 95	25	100⅝	101⅛	−0⅛	−0⅛	7.00
Mt. Bk. Denmark 7 92	10	99⅝	100⅛	−0⅛	−0⅛	7.00
New Brunswick 7⅛ 95	10	102⅛	102⅞	−0⅛	−0⅛	6.73
Swed. Exp. Cred. 0 90	14	73½	74	−0½	0	6.72

Average price changes... On day −0½ on week −0⅛

The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅝ 90 A$	50	92	93	+0⅛	+1⅛	14.92
Creditanstalt 12⅞ 90 A$	50	96	97	+1	+0⅞	13.89
Pepsico C. R. 13 90 A$	90	101⅛	102⅛	+0⅛	+0⅞	12.44
Swed. Ex. Cr. 13 88 A$	40	97⅛	98⅛	8	+0⅛	13.74
Amex 10⅛ 90 C$	90	102	102½	−0⅛	−0⅛	10.06
Conad. Pac. 10⅛ 90 C$	75	99⅛	100⅛	−0⅛	+0⅛	10.33
CISC 10⅛ 90 C$	75	†99⅛	99⅛	+0⅛	+0⅛	10.88
Genstar Fin. 11⅛ 96 C$	75	102⅛	102⅛	−0⅛	−0⅛	11.26
Montreal 11½ 96 C$	75	105	105½	−0⅛	+0⅛	10.57
Ryl. Trustco 10⅛ 90 C$	75	97⅛	97⅞	—	—	11.03
Scam Acc. 10⅛ 92 C$	75	†99⅛	100⅛	+0⅛	+0⅛	10.63
Chrysler F. C. 17 90 N$	65	96½	97	−0⅛	−1⅛	19.16
KOP 16⅛ 91 N$	50	96⅛	97⅛	+0⅛	−0⅛	17.32
Kredtbk. Lux. 17 89 N$	70	99½	100½	+0½	−0⅛	16.90
[illegible] 88 Ecu	60	100½	101⅛	−0⅛	−0⅛	8.02
Chrysler F. C. [illegible] 92 Ecu	75	96⅞	97½	−0⅛	−0⅛	9.57
Xerox Can. 8½ 90 Ecu	40	98⅛	98½	−0⅛	0	8.90
Honda WW 3⅞ 90 Fl	100	105	105½	−0⅛	−0⅛	2.53
Honda XW [illegible] 90 Fl	[illegible]	[illegible]	[illegible]	+0⅛	+0⅛	6.48
Thyssen 7⅛ 90 Fl	50	103⅛	103⅞	0	−0⅛	6.31
Woraldhave 7½ 90 Fl	75	102½	103	0	−0⅛	6.76
Wessanen 6⅛ 90 Fl	50	101	101½	0	−0⅛	6.42
Mobil Con. 11½ 90 FFr	600	*104	104½	−0⅛	+0⅛	9.92
Amev 11 93 £	50	94⅛	95⅛	+0⅛	+0⅛	12.14
Australia Com. 11 92 £	40	95½	96	−0½	−0⅛	12.00
EIB 11½ 93 £	90	96⅛	96⅛	0	+0⅛	11.86
GMAC UK F. 10⅛ 90 £	30	96⅛	96⅛	−0⅛	+1⅛	11.70
Imp. Ch. Ind. 11⅞ 95 £	75	96½	97	−0⅛	+0⅛	11.81
Imp. Ch. Ind. 10⅛ 92 £	75	93⅞	94⅜	−0⅛	0	12.05
McDonalds 10⅞ 90 £	40	96⅛	96⅞	0	+0⅛	11.90
Mtsbshi. F. HK 11 90 £	50	95⅞	96⅛	−0⅛	0	12.15
NSW Tresy. 10⅛ 92 £	90	93⅛	94⅛	0	+0⅛	11.98
Rank Xerox 11 92 £	40	95⅛	95⅛	0	+0⅛	12.04
Royal Ind. 10⅛ 92 £	60	93⅛	94⅛	0	+0½	12.12
J. Sainsbury 10⅞ 93 £	60	94	94⅛	—	—	12.14
Tricentrol XW 11 92 £	35	90	90⅛	0	−0⅛	13.29
Trthse. Forte 11⅛ 90 £	50	96⅛	96⅛	0	+0⅛	12.25
World Bank 11½ 95 £	100	96	96½	−1⅞	−1⅛	11.92
COE 8⅞ 95 LFr	600	98⅛	99⅛	+0⅛	0	9.00
N. Lux Al. 10⅛ 92 LFr	800	103⅛	104½	+0½	+0⅛	9.63

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Abbey Natnl. 5 2000 £	0⅛	99.09	99.14	15/1	11⅛
B'kamerica O/S 5⅛ 96	0⅛	99.52	99.62	30/3	8⅛
Bankers Trust 5 2000	0⅛	99.77	99.87	11/3	8.31
BFCE 5⅛ 99	0⅛	100.10	100.20	13/3	8⅛
BNP 5⅛ 95	0.06	101.30	101.40	10/1	8.69
BNP 5⅛ 99	0⅛	100.10	100.25	22/3	8⅛
Britannia 8 93 £	0⅛	99.29	99.34	8/4	11⅞
CCF 6⅛ 97	0	99.52	99.62	5/4	8.06
Chase Man'tn 5⅛ 2009	0⅛	100.05	100.18	5/3	8.31
Citicorp 5 2035	0.225	99.27	99.37	27/1	8.23
Credit Lyonnais 5⅛ 96	0⅛	100.64	100.74	11/4	8½
Credit Lyonnais 5 2000	0⅛	100.18	100.28	10/1	7.94
EEC 5 90	0⅛	99.77	99.64	8/7	0.06
ENEL 5 2000	0⅛	100.00	100.10	1/3	8⅛
Ireland 5⅛ 97	0⅛	100.02	100.12	28/2	8.44
Lloyds Bank Perp	0⅛	100.28	100.38	0/8	8½
Man. Hanover 5 97	0⅛	99.24	99.34	22/2	0.19
Midland Bk. Perp. 5	0⅛	100.10	100.28	18/6	8⅛
NatWest Perp. A 5⅛	§0⅛	100.19	100.29	8/7	8.31
NatWest Perp. B 5⅛	§0⅛	100.17	100.27	10/2	8⅛
R. Bk. Scotland 5 Perp	0⅛	100.06	100.16	11/0	8.44
R. Bk. Scot. 0⅛ 2005 £	0⅛	98.98	99.08	4/2	11⅛
Societe Generale 5⅛ 97	0⅛	100.10	100.28	18/3	8⅛
United Kingdom 8 92	0	99.98	100.06	7/7	8.06
Woolwich 0 95 £	0⅛	99.22	99.27	19/2	11.69

Average price changes... On day −0.02 on wk. +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	130⅛	131⅛	−1⅛	4.83
Comcast 7 2000	12/85	23.87	†112½	113⅞	−2½	17.91
Fanuc 3⅛ 98	1/84	7032	198	198	−1⅛	62.45
Fuji Hvy. Inds. 5 2000	8/85	676	94⅛	95⅛	−0⅛	0.29
Fujitsu 3 99	5/84	1320	100⅛	101⅛	−2⅛	11.83
Kumagai Gumi 3½ 2000	3/85	600	182⅛	184⅛	+4⅛	14.83
Marui 3½ 99	7/84	1162	164⅛	165⅛	−0⅛	−1.94
Mitsubishi Bank 2⅞ 00	8/85	1768	99⅛	100½	−0⅛	−0.66
Mitsubishi Elec. 2⅞ 00	3/85	422	102⅞	104	−0⅛	−1.17
Murata 3½ 2000	7/84	2396	118⅛	117⅛	−3⅛	14.01
Nippon Elec. 2⅞ 2000	1/85	1285	121⅞	122⅛	−1⅞	45.38
Nippon Oil Co. 3 2000	8/85	923	109⅛	110⅛	−0⅛	−0.18
OKI Elec. Ind. 3⅛ 99	10/84	806	103⅞	105⅛	−0⅛	1.39
Sekisui House 3 99	6/84	612	158⅛	158⅛	+1	4.62
Sumitomo Bk. 2⅛ 2000	8/85	2142	96⅛	96⅛	−0⅛	8.89
Sumitomo Cpn. 2⅞ 99	8/84	893	145⅞	147⅛	−0⅛	2.82
Taiyo Yuden 3⅛ 2000	3/85	1078	†111	113	+4	0.94
Takeda Rico. 3⅛ 2000	10/84	7863	†94	96	−2	2.26
Tokyo B'yo El. 3⅛ 99	12/84	772	103⅞	104⅛	−0⅛	10.11
Toshiba Cmnco. 5 2000	4/85	1734	100⅛	101⅞	+0⅛	13.10
Nippon Oil 2⅛ 92 SFr	3/84	1052	†101⅞	102½	+0⅛	19.29
Nippon Shn. 2 92 SFr	3/84	801	†120⅛	121	+0⅛	12.46
Asics 8 92 DM	12/83	520	106⅛	106	+0⅛	16.85
Renown 3⅛ 90 DM	3/85	675	†104	105	+0⅛	−0.96
Sum Realty 6⅛ 92 DM	2/83	338	†388⅛	390⅛	−13⅛	−5.95

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

(Securities) London: Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Geoffrey Carter (left) and David Johnstone

A 'hairy game' in Bristol

Ian Hamilton Fazey reports on a venture capital fund in the south west

GEOFFREY CARTER knows a lot about the City's view of venture capital and small business. He used to work there, successfully. Now he wonders if the City understands what the smaller end of venture capitalism — involving investments of less than £150,000—is actually about.

He says: "People criticise potential investments as one-product companies. They want to see more directors, more specialist managers, a wide range of products, and more assets against which to secure the investment.

"All these things indicate ignorance. Small businesses operate with very few people and on small capital. They have small asset bases. They usually trade in tight market niches against larger competitors. Some might be turning over their assets two or three times a month. One bad debt can kill them. They cannot afford large overheads.

"The borderlines between success, mediocrity and failure are very, very narrow. If a small company has a 5-10 per cent sales drop in a month, it can just run out of cash two-and-a-half months later and go under," he adds.

Understanding this—and how to assess the risks involved in backing such companies — is the key to what Carter does for a living. This, he says, is what true venture capitalism is about. In contrast, most London-based investment funds provide development capital for stable businesses, not risk capital for beginners.

Carter lives in a village in the Mendips and works in Bristol running the Avon Enterprise Fund for White Hart Holdings, a regional group of which the flagship company is the growing south-west based merchant banker, Dartington and Co.

He works closely with White Hart's driving force, David Johnstone, who, as Dartington's managing director, is the man largely responsible for getting the region's own venture capital services off the ground in the past three years.

Johnstone sums up the problem of the regional fund operating at the genuinely small business end of the market: "Raising money for funds is not easy. It is possible to make money in this field but it is a hairy game and a volatile field. The risks can be daunting. Would you buy a second-hand venture capital investment from anybody?"

Carter used to work for National Westminster Bank, then County Bank, and then as assistant director of the Guildhouse Group before seizing the chance to escape London's cost, noise, rush, traffic and commuting.

The usual reason given for City funds not investing at the smaller end of the market is that since just as much work is needed to assess a £50,000 investment as a £500,000 one, the potential return from the smaller investment cannot be sufficiently worthwhile. The cut-off point seems to be about £200,000.

How to assess risk is also a major factor. Carter says: "You can be that much more scientific with a large investment. But with a £50,000 one you just cannot afford to commission PA to do a market survey."

So how does he assess projects?

What Carter wants to know is whether the people running the business have a 50 per cent chance or better of making it work. Although products and markets are important, it is people he is looking for — and they must possess qualities which he himself admits are indefinable.

Carter says: "You have to spend time with them to talk about products and markets, about how they do their management accounts and actually run the company. You are listening to the people and watching them, looking for signs of managerial skill, finding out about their track record.

"There comes a point when it becomes apparent all on its own that you have confidence in them."

Johnstone says that although everyone needs a well-written business plan just to get to the face-to-face stage, this is not the basis for investment — and especially since some large accountancy practices now offer a plan preparation service that might well make any proposition look more attractive than it really is.

Carter goes on: "The business plan helps me decide who to see because I have not the time to see everyone who wants to see me. We look for what it says about products, services and markets. We ask if the market projections are realistic. I then go to the initial meeting and say: 'Now I want to hear it in your own words.'

"This is the most important meeting. I may not even take a note because I want to watch them while they speak. I warn them I may come back and ask all the same questions again just so that I can note the answers then. The business plan is the source of information for further questions later.

"I also make them meet me on their own patch, even in their own homes if they have not got premises. It is important to get away from the image of their being supplicants. Since I hold all the cards, I am in an unequal negotiating position so I try to minimise the difference and make them more relaxed so as to assess them better."

Johnstone says that it is impossible to make money out of dividends at the small end of venture capitalism—another factor which puts off City investors. Long term profits have to come from capital gains—and, incidentally, usually not from companies making it to the Unlisted Securities Market.

Rather, he thinks most will become like Dartington and Co itself—a public unlisted company. The key for the venture capitalist is knowing when to sell his share to someone else. Johnstone worries that too many City institutions set rigid timetables for this when sometimes it might pay better long term to, say, inject more cash in year eight to make much more money in year 10.

Indeed, 10-15 years is the sort of time-scale he thinks venture capitalists must think in, so it will be some time yet before we know for certain whether Bristol fashion is best. Moreover, says Carter, Avon's 12 backers—which include the Allied-Lyons Pension Fund, Bristol United Press, Equity Capital for Industry, Phoenix Assurance, Sun Life, and several locally-based public service superannuation funds—should expect a 20 per cent failure rate.

But the demand is there: three-quarters of the first £1m is already committed to 12 companies in Bristol and its hinterland.

In brief...

A SMALL business competition organised by Venture Capital Report, the publication which provides details of venture capital investment opportunities, has just been launched. It carries a first prize of £15,000, with three runners-up prizes of £1,500.

The competition is open to any company with the following characteristics: it must be British, independent and managed by its owners; established at least two years on January 1, 1986; and be a business with total assets of less than £750,000, turnover not exceeding £1.5m and a maximum of 50 employees.

The sponsors of the competition are National Westminster Bank, which will be donating all the prizes, and the Daily Telegraph. The judges will be looking for a record of success and enterprise, together with positive plans for growth—particular attention will be paid to the proposed use of the prize money in the development of a business.

Entry forms are available from any National Westminster branch or from Venture Capital Report at 20 Baldwin Street, Bristol BS1 1SE. Any enquiries to Andy Lord, manager, Small Business Section, National Westminster Bank, 116 Fenchurch Street, London EC3M 5AN.

•

A SIMPLE contractual clause included in the terms of payment of all business deals would save industry over £1bn a year in interest charges and would benefit in particular small companies which often find themselves waiting for payments from large companies.

That is the view of Larry Lewis, chairman of the Glasgow-based debt collection agency, the Lewis Group. The clause, he says, would "speed up payments overall, boost cash flow and reduce interest charges." He recommends a three clause insertion to contracts: one, that the company's terms of payment are 30 days from date of despatch; that in the case of default the right is reserved to suspend deliveries and take steps to recover outstanding monies, as well as compensation for any losses; two, that the seller is entitled to 2 per cent interest above minimum lending rate until the account is settled; three, that the buyer is forbidden from withholding payment in whole or in part because of any disputes.

Job creation

Tapping latent potential

BY IAN HAMILTON FAZEY

LAST week's forecast by the Forum of Private Business—that more than 1m jobs would be created by simplifying the official paperwork that besets small business—prompts an obvious question: can the figures be believed?

That was the initial reaction of Graham Bannock, whose consultancy, Graham Bannock and Partners, has done a lot of work in the small business sector, including the collation of several surveys that showed VAT to be the biggest bane of the small business owner.

Bannock says: "There is no doubt that small businesses have created about 600,000 jobs in the last three years. I would be very surprised to see so many more new jobs being created but that is what small business people are saying—and they ought to know."

According to the Forum, 90 per cent of the jobs would come through existing businesses expanding by taking on people in ones and twos. With about 1.5m small businesses in Britain, the cumulative effect soon becomes massive.

Unpaid tax collectors

The Forum surveyed its 10,000 members, who were also requested to pass on survey forms to neighbouring businesses whose owners were not Forum members. Strength of feeling on the issue is indicated by 11,000 completed survey forms. The Forum then did a detailed analysis of a 10 per cent representative sample.

The owner of a health food shop in Runcorn was one typical respondent. He says: "I run this business with my daughter. We do everything and work flat out. I am obliged by the Government to keep records—mainly for their use—for extended periods.

"As unpaid tax collectors, small businesses are over-burdened with too much law and too much red tape. One can hardly breathe without risking defiance of some law or another. There isn't time to cope with more paperwork. If there were less red tape involved I would take on two employees immediately."

A small proportion of new jobs in the Forum's forecast would come from making it easier for people to start businesses and raising the VAT registration threshold from £19,500 to £100,000 so as to make it easier for people to leave the Black Economy and legitimise their trading.

The Forum's chief executive, Stan Mendham, says that a six-month amnesty would encourage the latter considerably. As things stand, he says, legitimate small businesses feel bitter about the Black Economy because people operating in it are able to compete unfairly with honest traders.

However, the main lesson of the survey is that the best chance of expanding employment in the small business sector is to make it easier for existing businesses to take people on. It suggests that this may well be a better alternative than hoping for large companies to expand their workforces again—there are not enough of them to have anything near the same impact.

Nor could a similar result be expected through small business acorns growing into big business oak trees—too few of them ever do so, and certainly not quickly enough to have a major impact. Indeed, it is significant that the frequency weighted average age of businesses in the survey was 23 years. Small usually stays small.

Bannock says: "It is amazing that people like Stan Mendham have to knock themselves out year after year on this when there are 3m unemployed people in Britain."

The message has not been lost on David Trippier, the small firms minister, who says he will discuss it with colleagues at the Department of Employment before the end of the month. With a White Paper on lifting administrative burdens due in the late spring, Mendham's timing in publishing the new data could hardly have been better.

In fact, the survey reveals that many more jobs might be involved than Mendham has forecast, partly because the results have been interpreted conservatively, and partly because part-time jobs have not been included in the forecast at all. Mendham's fear was that the job prospects would appear so great that people just would not believe them.

The survey suggests that 48.9 per cent of businesses would take on one extra person full-time and 28.1 per cent two. But 59.4 per cent would also employ one part-timer and 20 per cent would take on two of them. Applied to 1.5m small businesses, that comes to 1.15m full-time jobs and 1.19m part-time ones.

It is inevitable that the bulk of jobs would come in ones and twos because of the nature of small business. A third of businesses in the survey had fewer than five employees, another 30 per cent had between five and nine, 17.3 per cent between 10 and 14 and 15.5 per cent between 15 and 49.

Though small, however, many were minnows rather than tiddlers: 30 per cent turned over more than £250,000, 29 per cent between £100,000 and £250,000, while 19 per cent were in the £50,000 to £99,000 range.

Single form for deductions

Retailers accounted for 36 per cent, services 22 per cent, manufacturing/processing 11 per cent and construction 10 per cent.

The heart of the Forum's simplification proposals lies in a single form for calculating all deductions that would speed up wages administration. There would be one per employee and each would cover 13 weeks.

But to make it work effectively, the Inland Revenue would have to accept that small businesses hand over deducted taxes quarterly, instead of monthly, a process that would cause some inconvenience to the Civil Service because procedures have been computerised on a monthly basis and are geared to the needs of big companies with administrative staff.

Mendham says he is fed up with 1.5m small businesses having to contort themselves to get into step with Whitehall departments, especially when so many new jobs are at stake in the small business sector. What he and his colleagues went to see now, he says, is some political will at Cabinet level to make the necessary changes.

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Businesses For Sale

The Receiver and Manager offers for sale the assets and goodwill of

PRECISION CIRCUITS

(PARAERO LTD)

Manufacturers principally of high quality, high density, plated through hole (P.T.H) printed circuit boards.

The company operates from a recently renovated leasehold premises near Swansea. It has a substantial asset and client base and has approximately 50 employees, producing an annual turnover of approximately £1.2 million. It exports a proportion of production and has a number of approvals including underwriters laboratories (U.L.).

For further details contact William Price or the Receiver and Manager, Richard A. Smart either at :—
PARAERO LIMITED,
Caer Bont Industrial Estate,
Abercrave, Swansea, SA9 1SW
Telephone: (0639) 730301

OR Tudor House, 16, Cathedral Road,
Cardiff. CF1 6PN
Telephone: (0222) 44191

Deloitte Haskins+Sells

For Sale by the Receivers, the business of
RIMARK SOFT DRINKS LTD.
Manufacturers of soft drinks, including "St Clements." Leasehold premises, 30,000 sq. ft. in Wellingborough, Northants. Automated production lines. T/O approx. £4.6m. Enquiries to the Joint Receiver and Manager P W G DuBuisson

BinderHamlyn
CHARTERED ACCOUNTANTS
8 St Bride Street, London EC4A 4DA.
Telephone 01-353 3020.

WINE SHIPPERS AND WHOLESALE MERCHANTS IN THE CITY FOR SALE

Owner wishes to live abroad
Magnificent return on capital

Write Box H0503, Financial Times
10 Cannon St. London EC4P 4BY

METAL FINISHING COMPANY, West Midlands. Electro Plating and Polishing Services, established company, turnover £425,000, scope for expansion with increased capital base. Would consider merger with existing compatible business. Write Box H.0510, Financial Times, 10, Cannon St. London EC4P 4BY.

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10 Cannon Street, London EC4P 4BY

FOR SALE

WEST MIDLANDS BASED MANUFACTURING COMPANY
Turnover £2.2 million
Varied and interesting own product range
ELECTRO-MECHANICAL PRODUCTS
SOPHISTICATED FABRICATION AND FITTING FACILITIES

This company is a lossmaking subsidiary of a UK based international public limited company. To return this company to profitability requires an entrepreneurial approach or additional turnover transferred into the facility.

Principals only please reply to Box H0515
Financial Times, 10 Cannon Street, London EC4P 4BY

International

FIBEROPTICS
Como. has developed new technology, over 10 years in manuf. of Fiberoptics. Dev. Company in Israel with manuf. unit to be set up in Europe. Company seeks investment of $3m for 50% equity. Own inv. $2.3m. Patents applied
BUSINESS SALES LTD
23 Crown Lane
Chislehurst BR7 5PL
01-468 7244 for details

Gall & Co. (Retail) Ltd.

Scotland

This established chain of ladies' and childrens' wear retail outlets is offered for sale as a whole or in parts. Principal features comprise:

* 29 leasehold shops throughout Scotland
* annual turnover £3 million
* stock of garments

For further information please contact:
Archibald S. Grey
Peat, Marwick, Mitchell & Co.
135 Buchanan Street
Glasgow G1 2JG
Telephone: (041) 248 7676 Telex: 779271

PEAT MARWICK

Microcomputer Software Opportunity

Offers are invited for the outright purchase of a new personal computer word processing program following a change of corporate policy.

Competitive with current market leaders, this recently completed product, which is designed to run under PC/MS-DOS on IBM PC/XT/AT and compatible micros, has taken 10 man years to develop by a UK programming team whose previous WP product has over 18,000 users.

The product is complete, documented, and having had 4 months of user testing is ready for launching. The product has received a very favourable review from a leading industry commentator.

The continued services of the development team or purchase of the Company as a going concern would also be considered.

Enquiries to: Box No. F6215, 10 Cannon Street, London EC4.

For Sale: The business and assets of Wesglade Electrics Ltd. (in receivership). The Company occupies 15,000 sq. ft. of freehold factory premises in Poynton, Stockport, Cheshire.

* Manufacturers of prefabricated electrical cable assemblies for the commercial vehicle and fork lift truck industries.
* Substantial order book.
* M.O.D. approved subcontractor.
* Turnover circa £900,000 per annum.

For further information contact G.J. Watts, F.C.A. Receiver & Manager.

Touche Ross
P.O. Box 500, Abbey House, 74 Mosley Street, Manchester M60 2AT Tel. 061-228 3456.

FOR SALE

The assets, goodwill and connection of Poisegrange Limited in Receivership.

The Company has traded from modern 25,000 sq. ft. premises in West Wales as CMT producers to the garment trade.

All enquiries to: David C. Lovett,
Joint Receiver and Manager,
Arthur Andersen & Co.,
23 Park Place, Cardiff.
Telephone: 0222-26326.

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FOR SALE OR MERGER

Engineering company established 40 years. Mainly engaged in sub contract machining for major nationals, M.o.D. and commercial contracts. Excellent premises approximately 8,000 sq ft on 15,000 sq ft site. Long lease, low ground rent. Prime location in Wembley. Price £165,000. Principals only please.
Write Box H0516, Financial Times
10 Cannon Street, London EC4P 4BY

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Also Hotels available throughout the U.K. and Europe. Details are available to interested parties who can provide proof of suitable credibility. Corporate and international finance arranged from £1m.

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Extensive quality reserves
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CONFECTIONERY BUSINESS AND ASSETS FOR SALE
DOCWAR'S LIMITED
IN RECEIVERSHIP

Business and assets of confectionery manufacturers operating from long leasehold premises in Great Yarmouth. Annual turnover approximately £1.2 million.

Further details from: P.C. Forbes, Ernst & Whinney, St. Cuthbert's House, 47 Upper King Street, Norwich NR3 1RB. Tel: (0603) 660482.
W.M. Roberts, Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 01-928 2000.

Ernst & Whinney
Accountants, Advisers, Consultants

Builders Merchants

MIDLANDS

Turnover £1,400,000
Long Established Company
Excellent Site Location
Owners contemplating retirement

Write Box H0514, Financial Times
10 Cannon Street, London EC4P 4BY

Automotive Products Testing Business

There is available for sale as a going concern the business of a well established Company providing product and system design engine and component testing and related services to the automotive industry and other customers.
The Company operates from freehold premises in South Bedfordshire which contain well equipped workshops and extensive test equipment. The facilities are complemented by a strong team of engineers and technicians experienced in both the mechanical and electronic fields.
Current turnover is circa £1.3 million with plans for major expansion and the Company has a good order book.

C&L

Cork Gully

For further information contact:
Mr J. F. Powell
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ
Tel: 01-606 7700
Telex: 884730

Leading London ground Courier Service

Established over 20 years with £2 million turnover. Prestige West End and City offices, own fleet and garage. Full admin. and accounting infrastructure: fully manned. Owner/chairman nearing retirement. Offers in region of £1 million.

Write Box H0513, Financial Times
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TELEVISION PRODUCTION/FACILITIES COMPANY

FOR SALE WITH PRESTIGE REGISTERED NAME

Located South of England in freehold refurbished 2,500 sq ft building on 1.5 acre site with planning permission for additional 5,000 sq ft. Rural location with easy access to motorway network, inter city rail and airports. Some limited equipment included. £310,000. Principals only.

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Joint ventures will be considered
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A COMPANY MANUFACTURING
MINI EXCAVATORS

Has the majority shareholding for disposal. The company's products fully developed, marketing commenced. Requires association with individual or company with marketing skills.

Full details from:
Box H0492, Financial Times
10 Cannon St, London EC4P 4BY

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SUCCESSFUL PRIVATE COMPANY
Providing services to a specialist market
Cash or share deal - £2m
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£2,250,000

TOTAL NET PROFIT

Made in 3 years by multi-mineral quarry based in mid U.K. having unique deposits with tremendous long-term potential

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10 Cannon Street, London EC4P 4BY

FOR SALE OR MERGER

Engineering company established 40 years. Mainly engaged in sub-contract work. Machining for major nationals, MoD. and commercial contracts. Excellent premises, approx 8,000 sq ft. 15,000 sq ft site. Prime location in Wembley
Long Lease - Low ground rent
Price £165,000
Principals only
Write Box H0509, Financial Times
10 Cannon St, London EC4P 4BY

FOR SALE
GARMENT PRODUCTION UNIT

An opportunity exists for the taking-over of a well-maintained and efficient unit in Co. Down, Northern Ireland, employing approximately 80 people. The present output is of trousers and jeans but the capability exists to produce various types of garments.
The owners have genuine reason for wishing to dispose of this factory.

Enquiries from principals, in writing, should be addressed to:
V. R. Arnold,
CULBERT & MARTIN, Solicitors,
7 Donegall Square West, Belfast BT1 6JB.

CONTROLLING SHAREHOLDING
FOR SALE

With Directorship with long established company operating at Midlands airfield providing hangerage and aircraft maintenance facilities to CAA B1 standard. Full technical staff. Would suit individual or company with sales ability.

Write Box H0493, Financial Times
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Holsworthy, Devon

Beautiful 10-acre setting on the Torridge with prominent "A" road trading position. HIGHLY PROFITABLE LUXURY SELF-CATERING AND LEISURE COMPLEX with 18-bedroom residential inn, 8 cottages, banqueting suite (300), 2 squash courts, house, leased salmon fishing. £1m freehold complete. Full particulars from:
ROBERT BARRY & CO.
Cotteswold House, Cirencester, Glos.
Tel: (0285) 2238

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All in price £125,000.
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Replies will only be made to satisfactory inquiries.
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FOR SALE
SUNDRIES IMPORTING BUSINESS
(Turnover in excess of £1½m)
With well-established supply and customer base, distributing throughout the UK to first class Store Groups / Mail Order / Multiples / Wholesale outlets.
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MENS BOUTIQUE
Up market Fashion Shop for sale in Nottingham city centre
Offers for lease and fixtures and fittings invited in the region of £25,000 plus SAV
Current t/over £120,000 pa approx
For further details:
Ring Derby 363321 - Ref RWL

Company Notices

NOTICE TO HOLDERS OF BEARER DEPOSITARY RECEIPTS (BDRs) IN
HITACHI, LTD.

BDR holders are informed that Hitachi, Ltd. has paid a dividend to holders of record September 30, 1985. The cash dividend payable is Yen 4.5 per Common Stock of Yen 50.00 par share.
BDR holders may now present Coupon No. 5 for payment.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate. Countries currently having such arrangements are as follows:

A. R. of Egypt	F. R. of Germany	Malaysia	Singapore
Australia	Finland	The Netherlands	Spain
Belgium	France	New Zealand	Sweden
Brazil	Hungary	Norway	Switzerland
Canada	Indonesia	Poland	United Kingdom
Czechoslovakia	Ireland	Rep. of Korea	U.S. of America
Denmark	Italy	Romania	Zambia

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends unclaimed after April 30, 1986.

Amounts payable in respect of current dividends:

Coupon No. 5 BDR denomination 1 share	Gross Dividend	Dividend payable less 15% Japanese withholding tax	Dividend payable less 20% Japanese withholding tax
	$0.022089	$0.018759	$0.017655

Depositary:
Citibank, N.A.
336, Strand, London WC2R 1HB

January 21, 1986

PROVINSBANKEN
DEN DANSKE PROVINSBANK A/S

U.S. $25,000,000
Floating Rate Capital Notes 1990
For the six month period
21st January, 1986 to 21st July, 1986

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 8⅞ per cent per annum, and that the interest payable on the relevant interest payment date, 21st July, 1986, against Coupon No.8 will be U.S.$212.11.

S.G. Warburg & Co. Ltd.
Agent Bank

GENFINANCE N.V.
US$100,000,000
Floating Rate Notes due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six month period from January 22, 1986 to July 22, 1986 the Notes will carry an interest rate of 8 1/16% (inclusive ¼% margin).
The coupon amount so calculated will be US$417.93.

BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme
Agent Bank

BANQUE NATIONALE DE PARIS

USD 250.000.000,— Floating Rate Notes due 1997

Applicable interest rate for the interest period from January 21 1986 up to April 21 1986 as determined by the reference agent is 8⅞ per cent per annum namely US$2,109.38 per bond of US$100,000.

U.S.$75,000,000
NEW BRUNSWICK ELECTRIC POWER COMM. 6¾% BONDS SERIES 44B DUE 1ST MARCH 1994

Debentures covering U.S.$3,000,000 have been purchased on the market to satisfy the Purchase Fund due 1st March 1986.

BANQUE NATIONALE DE PARIS

Floating Rate Note Issue of US$250 million 1984/1996

The rate of interest applicable to the interest period from January 22 1986 up to July 22 1986 as determined by the reference agent is 8⅜ per cent per annum namely US$421.08 per note of US$10,000.

Art Galleries

AGNEW GALLERY, 43, Old Bond St., W1. 01-629 6176. 113th ANNUAL WATER-COLOUR EXHIBITION. Final Day. 9.30-5.30.

WORLD OF WATERCOLOURS AND DRAWINGS. Park Lane Hotel. Piccadilly. W1. 22-26 Jan. 11-8 pm. Last day 7 pm. To be opened by JOANNA LUMLEY at 12 noon on 22nd.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557

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APPOINTMENTS

Reorganisation at Assoc. Newspapers

ASSOCIATED NEWSPAPERS HOLDINGS has made the following appointments at its subsidiary, Associated Newspapers Group: Mr R. M. Shields, managing director of Associated Newspapers Holdings, becomes deputy chairman of Associated Newspapers Group; Sir David English becomes vice chairman; Mr E. J. Winnington-Ingram becomes managing director of Associated Newspapers Group. Mr Winnington-Ingram will relinquish his title as managing director of The Mail on Sunday and these duties will be carried out by Mr W. J. Pressey, who becomes executive director of The Mail on Sunday.

★

Mr Ronald Hooker has been appointed chairman of NATIONAL RADIOFONE. Mr Hooker's existing directorships include Dubilier, Airship Industries and Hambros Industrial Management.

★

Two directors have been appointed to the board of TAYLOR WOODROW CONSTRUCTION. Mr E. R. (Eric) Frondigoun and Mr G. M. (Gordon) Knight were both previously divisional directors.

★

Mr David Whitaker has been appointed managing director of WINDSOR TELEVISION. He was finance director and company secretary.

★

Mr Gordon Robinson has been appointed a director of the MERCANTILE BUILDING SOCIETY. He is chief executive and secretary.

★

SAMUEL MONTAGU & CO states that Mr Charles Mitchell, formerly treasurer of Britoil, has re-joined the company as an executive director in the financing and capital markets area.

New chairman for banking association

Mr D. M. Child, director and deputy group chief executive of National Westminster Bank, has been appointed chairman of the executive committee of the BRITISH BANKERS' ASSOCIATION. He succeeds Mr R. J. Dent, a managing director, Baring Brothers & Co, who has completed the normal two year term of office. Mr J. E. Craig, a managing director of N. M. Rothschild and Sons, has taken over from Mr Child as deputy chairman of the executive committee.

★

Mr B. W. Manley has been appointed chairman and chief executive officer of A.T. & T. AND PHILIPS TELECOMMUNICATIONS. He was appointed to the board of Philips Electronics and Associated Industries in 1983 with overall responsibility for telecommunications, defence and research activities in the UK. He will continue to serve on this board.

★

Mr Paul Liggins has been appointed managing director of PRECISION COLOUR PRINTING, a subsidiary of the Midland News Association. He was formerly general manager of PCP. Mr John Reid has been appointed a director of Press Computer Systems another group company. Mr Reid, who joined the company last June, becomes responsible for customer services.

★

STANDARD WIRE CO has appointed Mr Jeremy C. Siddell sales and marketing director and Mr Mike Wood works director.

★

THE LEEDS PERMANENT BUILDING SOCIETY has appointed two assistant general managers: Mr Robert Lochhead will have responsibility within the business operations department of the society for the development of mortgage-related services arising out of the impending new legislation. Mr Robert Bennett has been appointed assistant general manager with specific responsibilities within the finance function.

★

Mr Chris Redfearn, a board member of Siddall & Hilton Group, has been appointed director in charge of FLORAL WIRE PRODUCTS. To take up this appointment, Mr Redfearn has relinquished his post as technical director of the wire and tube products division.

★

Mr Ronald T. Hill has been appointed sales director of BIRCH AND CO (BCL). He joins BCL from Rank Hovis McDougall where latterly he was national field sales manager for McDougall's Catering Foods.

★

THE BUILDER GROUP has made the following appointments: Mr Alan Talbot, who joined in June 1985, becomes a director of Building (Publishers) and will assume the role of advertisement director from April 1. He was advertisement manager of Commercial Motor with Business Press International. Mr Ian Barnett, executive advertisement manager of Building Services Publications, is appointed advertisement director of that company. Mr Richard Dowson, advertisement director of Building (Publishers) has chosen early retirement from March 31. Mr Dowson will continue on a consultancy basis.

★

★

Mr John Hire has been appointed to head a new British high - technology engineering company, SKF ENGINEERING PRODUCTS.

★

ROBERT MOSS has appointed Mr K. J. Robinson and Mr D. A. Berry executive directors on the main board. Mr Robinson joined the group at the beginning of January as managing director of North West Plastics and Toolmak, Moss's subsidiaries in Manchester. Mr Berry was promoted 18 months ago to general manager of Moss's Kidlington operations and has responsibility for the group's European sales offices.

★

BANK OF AMERICA INTERNATIONAL has appointed Mr Frank Canosa, Mr Ian Elstein, Mr Simon Hood and Mr Tony Rhodes executive directors.

★

R. J. KILN & COMPANY has appointed Mr J. P. Kilpatrick as managing director. He was appointed a director in 1984. Mr R. J. Butler has been appointed company secretary.

★

GUARDIAN MANAGEMENT SERVICES has appointed Mr Michael du Quesnay as director of computer consultancy services. He was senior manager of the management consultancy division of Price Waterhouse.

★

Mr T. G. P. Rogers has joined the board of HOBSONS. He is on the main board of The Plessey Co and chairman of The Institute of Directors.

★

Mr R. J. Lindsay, chief production manager, has been promoted to production director of the SCOTTISH DAILY RECORD AND SUNDAY MAIL LIMITED.

★

Mr A. W. Gibbins retired as managing director and was appointed vice-chairman of THE BIRMINGHAM BATTERY AND METAL COMPANY on January 1 on reaching retirement age. Mr Allan W. Newton has been appointed managing director.

★

ST ANDREW TRUST has made Mr John C. Rafferty a director. He is a partner in the Edinburgh law firm W. and J. Burness, WS.

★

J. H. MINET & CO has appointed Mr Michael Pix as senior executive director. He will join the company's executive committee.

★

The following appointments have been made at HAWKER SIDDELEY subsidiary companies; Mr M. McDonagh is appointed technical director of Crompton Batteries; Mr P. Young is now finance director of Crompton Vidor; and Mr R. W. Crouch a director of Westinghouse Brake and Signal Co (Australia). He will be responsible for the ROC fluid power division of that company.

★

Mr Picton Jenkins has been appointed sales director of BROHOME.

★

THE DAIRY TRADE FEDERATION has re-elected Mr Chris Ball as president for a second and final year of office. He recently took over as managing director of Northern Foods' UK operations; having previously been managing director of Unigate Dairy Holdings. Mr Jim McMichael - Phillips becomes president-elect and remain a vice president for the coming year. He is group general manager of the Co-operative Wholesale Society Milk Group and vice chairman of the Co-operative Milk Trade Association. Mr Clive Strowger has been re-elected as the other vice president. He is chairman and chief executive of Express Dairy Group and, just before Christmas, he was appointed to the main board of Grand Metropolitan.

Stock Exchange finance post

Mr Brian Emmerson, finance director at the STOCK EXCHANGE, reaches retirement age shortly, and the Council has appointed Mr David Bruce to succeed him as director of finance and administration. Mr Bruce is treasurer and controller of Shell UK.

★

PEAT MARWICK has appointed Mr John Calvert as a partner specialising in providing management advisory services for the north west region.

★

HENRY COOKE, LUMSDEN, stockbrokers, has made Mr David Adams its managing director. He joined Henry Cooke, Lumsden in Manchester in 1967.

★

HAZELL WATSON & VINEY, BPCC's book manufacturing company, has appointed Mr Ian Reid as engineering director from February 3. He is BPCC's communication and information corporation divisional engineering manager.

★

Dr P. Maguire has been appointed managing director of AMERICAN MONITOR (UK), the service and marketing company of American Monitor Corporation of Indianapolis.

★

ARBUTHNOT SECURITIES has appointed Mr Christopher Bomford as senior fund manager with responsibility for income funds. He joins from Brown Shipley & Co, where he was a director of Brown Shipley Asset Management.

★

Mr A. M. Millwood, a director of John Laing, has been appointed a non-executive director of CAPE INDUSTRIES.

★

The following board changes have taken place in BLAKES PAINTS since they were acquired by McLeod Russel. Mr N. E. K. Openshaw, Mr T. K. Faris, Mr T. A. Cordwell and Mr R. T. Rawsthorne have been appointed directors. Mr G. D. Phillips remains a director but Mrs M. J. Phillips has resigned.

★

ARDEN & COBDEN has appointed Mr Colin Pelling as marketing director. He joined Comfort Hotels in 1981 as sales director where he remained until the takeover of the group in 1985.

David Smith makes £2.5m as acquisitions pay off

THE ACQUISITION policy at David S. Smith (Holdings) is demonstrated in the results for the half year ended October 26 1985, which show turnover up from £3.36m to £17.63m and pre-tax profit from £226,000 to £2.55m.

The figures of this packaging and board manufacturing group take in e full six months of Western Board Mills and five months of Abbitrin Holdings.

Despite the increase in the share capital, earnings are ahead from 2.3p to 5.1p and the interim dividend is lifted from 1p to 1.4p net.

Mr Richard Brewster, the chief executive, says Western's turnover has continued upwards resulting in improved ultilisation of existing mills, and the traditional Smith activity bas also made progress with higher sales and profits.

The investment programme is well in hand which will fuel future growth. Other conversion ectivities are also being developed to meet the trend towards higher value products.

At Abbitrin the market remains buoyant and plans are being prepared to enlarge the production facilities further so as to keep pace with demands.

Mr Brewster says the continuing demand in markets and the additional equipment becoming ovailable shortly "gives us confidence for this year and heyond." The policy of growth by acquisition is being maintained.

The half year gross profit was £4.42m (£571,000). After tax £1.02m (£102,000) the net balance came to £1.53m (£124,000). For the year ended April 30 1985 the pre-tax profit was £1.05m, including four months of Western, and the total dividend was 3p.

● comment

The market knows that Richard Brewster has a good eye for an acquisition. What it does not know is whether he can make his new eompanies work for him. While it is still early days, these inetrims are a promising sign. The decline ot Western under the old management has been arersted, and a more aggressive approach is putting emphasis on marketing, research and development. No such overhaul was needed at Abbitrin, bowever, which has found a growing area in a declining market, selling corrugated board to small box makers. A new high-tecb corrugator installed during the first half is already running at full capacity. The effects of the investment in the old core of the company (now a tiny part of the whole) have yet to be enjoyed, while its dependence on the tobacco industry is falling encouragingly. With Abbitrin inclnded for the wbole of the second half, profit for the year should be £5.6m, with £6.3m in prospect next year. However, such growth alone does not quite justify the prospective p/e of 14 on the price of 150p. The market — with reason — expects enother large and exciting ecquisition soon. The company has about £5m in cash.

Bowater expands packaging interests

By Tony Jackson

BOWATER INDUSTRIES is to pay $18m (£12.5m) for packaging manufacturer StarTex Corporation of Laveville, Minnesota, in a deal which will increase its North American sales by 50 per cent.

StarTex, which made pre-tax profits of $1.7m on sales of $28m in the year to June 1985, is claimed to be one of North America's leading producers of plastic film. Sales have grown by 12-14 per cent annually over the past five years.

A family firm founded 20 years ago, StarTex specialised initially in large heavy duty film for industrial and agricultural uses, but has since specialised further into coextruded films for food and medical packaging.

"It's coextrusion technology is way ahead of anything we have in the UK," Bowater said. "We do single extrusion for uses like plastic carrier bags at our Welton Packaging business in Somerset, but on a much smaller scale."

Bowater has the stated aim of increasing its presence in the US through acquisition. By agreement with Bowater Inc, from whic it demerged 18 months ago, the group will not involve itself in the US pulp and paper industry.

"We are interested in packaging, particularly its specialised end, and in its service aspects," Bowater said.

Its North American interests to date comprise two film metallising companies and two freight service companies.

The company will form part of Bewater's Packaging and Associated Products group.

Estate agent expands with £5m E. Anglia purchase

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

MANN & Co, the publiely-quoted estate egency, is paying just under £5m for Abbotts, one of the largest agencies in East Anglia.

The acquisition, the first by Mann & Co since its flotation in March 1985, is designed to spread further the agency's geographical base, until now centred on the South-east.

Since its share listing, Mann & Co has increased the number of its offices from 120 to 132. The Abbotts purchase will take this ot 163. At the time of flotation, Mann said it intended to provide a "one-stop" service advising customers on every aspect of buying or selling a house. The longer-term objective was to provide a national network.

Abbotts, based in Southend-on-Sea, has offices in Essex, Suffolk and Norfolk, and has itself, through a series of mergers and acquisitions, grown rapidly over the last five years. Its annual turnover is more than £6m. The business includes residential agency—over 3,500 homes were sold in the year to last September—agricultural and professional services and property management. There are 300 full-time and 55 part-time employees.

Mr Jeremy Agace, chairman of Mann and Co: Aiming for national chain

Pre-tax profits of Abbotts, struck before partners' remuneration, bave grown from £554,000 in 1981 to £821,704 in 1985. Profits for the year to May 31, 1986 are estimated to be running, after partners' remuneration, at an annual rate of £500,000. Abbotts' directors have given an undertaking that net assets of the business are not less than £900,000.

The purchase is to be satisfied by the issue of 2.8m new ordinary shares in Mann & Co., of which 901,467 will be allotted on completion. Of these, 650,400 will be placed with clients of Rowe & Pitman and Morgan Grenfell at 196p a share.

The base consideration of £4.9m will be satisfied by three part-payments, and the final purchase price will depend on the outcome of directors' projections concerning pre-tax profits for the remainder of 1985-86 and for 1986-87. There will also be an adjustment for any shortfall in net assets.

Mr Jeremy Agace, chairman of Mann & Co, says Abbotts' offices will complement his branch network and enable expansion into adjoining regions.

The Mann directors, who hold 66.4 per cent of the share capital, estimate the agency's turnover for the six months ending November 30 1985 at approximately £6.2m (£5.63m), with pre-tax profits around £2.2m (£1.86m).

The board are confident that turnover will grow this year and they intend to declare a 1.6p interim dividend. The interim results are expected towards the end of February.

Circaprint bucks trend in pcb market

By Nigel Clark

A DECISION to stay out of the consumer market is belping Circaprint Holdings to avoid the depression being experienced by other parts of the printed circuit board market.

"We decided many years ago to stay out of the consumer market, bome computers and white goods, as we have always found them to be very voletile," said Mr Bernard Stroud, chairman and joint managing director.

Mr Stroud was speaking after yesterday's annual meeting at which he told shareholders of the company, based in Maidstone, Kent, was not experiencing the depressed picture which had been painted recently by two of its major competitors.

"I wanted to tell shareholders that despite what they might bave heard from other companies in our sector thet we had an order intake which wos 25 per cent higher than for the same time last year and that tbe prospects were quite encouraging ot this stage," be added.

He thought that there were a number of other reasons for Circaprint doing better than the opposition. These included having a good spread of customers and having built up a reputation for consistent quality and reliability.

The company supplies both conventional and sophisticoted plated-through-hole circoit boards to the telecommunications industry and the makers of electronic control systems. Mr Stroud said thet there were indications that the market, which the company estimated bad fallen by 10 per eent in 1985, would be growing again by the early summer and return to 1984 levels.

He added that the fact that the company was still making conventional boards, whereas most of its competitors had pulled out of the market, also helped in avoiding the trend.

A further factor was the ability to assemble complete boards, including al lthe necessary electronics on a sub-contract basis. Mr Stroud saw this as a growing area in the future when manufacturers in the electronics market would prefer to sub-contract board assembly and concentrate on other areas such as design and marketing.

Mr Stroud told the annual meeting that the future looked promising. He added that unlike last year there would be a higher level of activity in the second half than in the first.

Throughout the 1980s the company, which came to the USM in January 1984, has seen turnover increase each year, from £2.23m in 1980 to £7.35m in the year to August 31 1985. Pre-tax profit performance has, however, been erratic with falls between 1980 and 1982 followed by a rise to £650,000 in 1984. Last year it fell slightly to £636,000.

On the optimistic news the shares closed et 82p, up 2p on the day. Thaat compares with a high of 133p and e low of 45p since the beginning of 1985.

Asda Property cancels £9m debenture issue

By Lucy Kellaway

Asda Property fell foul of a sharply falling gilt market yesterday when it cancelled a £9m debenture issue only six hours after announcing it.

The issue was meant to be priced et 3 pm ot a 0.8 per cent margin above a comparable gilt edged stock. The company's brokers, Laing and Cruickshank, said that by then the market bad plummeted by two points since the close on Friday, and that it was in "everyone's interests" to pull the issue.

"Now we'll bove to take e view on the most appropriate time and try again," the broker said.

The company was raising first mortgage debenture stock 2011, in partly paid form. The money was inteoded to reduce the group's dependence on floeting rate debt and to provide e more solid base for expansion in the future.

Asda Properties came to the market in April last year capitalised at £17.7m, and with a portfolio divided between commercial and retail properties. Pre-tax profits for the first half of the last year were £434,000.

Reed expands US Paint interests with £5m buy

Reed International, the publishing, packaging and paper group, has made a further eddition to its paints business with the purchase of Caldwell Paint Manufacturing Company of St Louis, Missouri for $7.3m (£5m) cash.

Caldweli made a pre-tax profit of $1.7m on turnover of $11.8m in the year ended December 1984. The company's main activity is the production of a specialist primer for use with paints and walleoverings.

Caldwell will eontinne under its present management but will form part of Reed's Polycell division in the US. It is the third paints and DIY company to be bought by Reed in tht US in recent years.

Reed bought Roman Adhesives of Bloomfield, New Jersey, e manufacturer of adhesives for wall-coverings, in 1983 and W. F. Taylor & Company of Santa Fe Springs, California, a maker of floorcovering adhesives and tackless strip, in 1984.

Last November Reed failed in a bid to prevent Akzo, the Dutch chemicals group, from acquiring Blundell-Permaglaze, the troubled British paintmaker. When it put in a lete eounter-bid.

BOARD MEETINGS

The fallowing companies have aotified dates af board meetings to tha Stock Exchange. Such meetings are usually held for the purpose of considaring dividends. Official indications are nat available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly oa last year's timetable.

TODAY

Interims:—AGB Research, British Bloodstock Agency, Matthew Clark, A. and J. Gelfer, Hampson Industries, Scottish English and European Textiles, William Sommerville.

Finals:—A. and P. Appledom, FII, First Leisure Corporation, LPA Industries.

FUTURE DATES

Interims:—

Aerospace Engineering .... Feb 6

Ailsa Investment Trust .... Jan 27

Bevan (D. F.) .... Jan 23

Group Investors .... Jan 27

Neepsend .... Jan 30

Owen and Robinson .... Jan 23

Peachey Property .... Feb 18

Wholesale Fittings .... Jan 31

Finals:—

Associated Fisheries .... Jan 30

Continental Assets Trust .... Jan 24

Domino Printing Sciences .... Jan 30

Edinburgh American Assets Tst .... Jan 23

Glasgow Stockholders Trust .... Feb 14

Kennings Estates

Boosted by the sale of properties Kennings Estates, a subsidiary of the Kenning Motor Group, saw its 1984-85 profits before tax surge from £2.07m to £2.49m.

The surplus from property sales rose by £521,000 to £1.73m. Depreciation and amortisation, however, rose from £539,000 to £624,000 and interest took £113,000 more at £381,000.

Brooke Tool expands to £1m

ACCELERATION IN the second half has enabled the Brooke Tool Engineering (Holdings) groop to lift its pre-tax profit by 25.3 per cent, from £843,000 to £1.06m, in the year ended September 30 1985.

For the first half year the profit was virtually unchanged at £428,000 (£419,000).

The dividend is raised from 1p to 1.25p net, with e final of 0.75p. Basic earnings rose to 6.1p (5.4p) and fully diluted to 3.3p (3p).

Group ectivities cover the manufacture of industrial cutting tools, mining tools and equipment.

Mr Fane Vernon, chairman, says that the coal mining dispute affected two of the subsidiaries for most of the financial period.

Growth within the cutting tool companies was maintained during the second half, augmented by a strong contribution from Howman Tap and Die, which was bought last April.

Prospects for the current year are encouraging, the chairman reports. The group has made a good start in the first quarter, increasing its sales and pre-tax profits.

Further organic expansion within the group is planned, coupled with continued strengthening of the operations in Europe and America.

Also, the group is exploring further acquisitions within the recognised area of expertise, to enhance future progress over the medium and long term.

Turnover in the year expanded by almost 17 per cent to £11m and the operoting profit moved ahead 24 per cent to £1.28m. Interest charges were £226,000 (£192,000).

Tax requires £283,000 (£154,000) and minority losses £8,000 (£15,000). Last time there was an extraordinary debit of £55,000.

● comment

Brook Tool's slightly higher than expected figures confirm that the eompany is now firmly on the mend. Operating margins of 11.6 per cent have to be considered good for a metal-basher—especially given the problems over work for the NCB which affected the first half. In the second half the trend was for the NCB to put increasing amounts of work out to private companies and this has more than offset the shrinkage in UK mining overall. Net debt has risen to around 50 per cent of shareholders' funds due to the £380,000 outlay on the Howman Tap acquisition. This year acquisitions do not seem likely as investment plans could involve as much as £1m being spent on capital equipment. And in the US, £1.5m of sales in 1984-85, the decision is to expand the product range through the existing Boston distributor rather than to go for a manufacturing unit in the short-term. The preference share legacy of the 1983 rescue could begin to be unwound after March when eonversion of the stock is possible on e one for ten basis. With £1.3m expected for 1985-86, the shares at 31p look modestly priced on a fully diluted prospective p/e of 7.7 given e 27 per cent tax charge.

£124m pours in for Macro 4's share sale

BY LUCY KELLAWAY

JUDGING by the warm reception given to Macro 4's share sale confidence in the electronics sector may be returning. The computer company's offer for sale was oversubscribed 21 times.

At toal of £124m was received for 5.4m shares in the company, priced at 105p each. Macro 4 designs systems software packages for mainframe computers, and professes to be at the more stable end of the computer industry.

At the offer price the shares are on o prospective p/e multiple of 16 and the company is capitalised at £22.6m.

Aplications for between 250 and 15,000 shares will be allocated by weighted ballot. Between 250 and 2,000 get 200 shares, 2,500 to 9,000 get 300, and 10,000 to 15,000 get 500. Applications for 20,000 and above will get 5 per cent of the number epplled for.

Allotment letters will be sent off on Thursday, and dealings will begin on January 24. Sponsors to the issue are J. Henry Schroder Wagg.

Restmor blames pressure on margins for profits fall

Restmor Group, the baby carriage and nursery furniture maker, is still waiting for its investment in new production facilities to pay off.

It reports after tax profits down from £435,000 to £423,000 despite a rise in turnover from £7.43m to £7.63m for the half year to October 31 1985 against the six months to November 2 1984.

The Surrey-based company blames continued pressure on margins for the fall in profits, and says it has yet to receive the benefit of new investment.

Trading profit fell from £821,000 to £745,000, and the share of the loss of an associated company rose from £17,000 to £24,000. Tax in the half was £298,000 compared to £369,000.

An unchanged interim dividend of £0.75p per share was announced. Earnings per share amounted to 4.1p, against 4.22p last time.

25.7% stake built up in Exco Intl.

Tan Sri Khoo Teck Puat, the Malaysian businessman, has bought a further 500,000 shares in Exco International, the financial eervices group, at 195p per share, taking his bolding to 60.25m or 25.7 per cent of Exco's equity.

Tan Sri Khoo, who last month overcame Exco's objections to him being appointed deputy chairman, has agreed not to increase his holding to more than 29.9 per cent without Exco's consent for et least one year after be and his two other board nominees have voluntarily left the board.

He first emerged as o large shareholder in Exco last November when he bought e 22.2 per cent stake from the Kuwait Investment Office. The KIO had bought the holding one day earlier from British and Commonwealth Shipping.

ISLE OF MAN Enterprises raised turnover from £418,985 to £494,341 and pre-tax profits from £97,704 to £101,636 in the year to October 31 1985. Earnings amounted to 7.71p (6.88p). The dividend is beld at 4.5p gross. Tax took £8,145 (£7,318). The company, a subsidiary of Nicholson Investments, operates holiday accommodation.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Brooke Tool	0.75	March 19	1	1.25	1
Evode Group	2.28	April 2	1.99	3.22	2.81
IoM Enterprises¶	4.5	—	4.5	4.5	4.5
Restmor ....int	0.75	March 7	0.75	—	4.0
David Smith ....int	1.4†	March 17	1	—	3
Webber Electro	1.15‡	April 1	1	2.3	2

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross throughout.

UK COMPANY NEWS

Paints and plastics growth lifts Evode by 22% to £2.8m

SIGNIFICANT progress in its psints and plastics division has led to the Evode Group producing a 22 per cel rise in pretax profils for the year ended September 28 1985, from £2.3m lo £2.82m.

The divided is increased from 2.81p lo 3.22p et, the final belg 2.28p.

In the first quarter of the current year profits bave bee marginally ahead of plan and the directors look forward to a year of further progress.

They announce agreemeol to buy Valentine Mann & Brown for £1.22m in shares and casb. This company extrudes and prints polyethelene films.

In paints and plastics, sales rose to £23.4m (£14.44m) and profits before tax to £556,000 (£473,000). Mr Andrew Simon, chairman and chief executive, says Postans and Worralls enjoyed excellent growth in volume sales of nowder coatings, although demand for wet paints continued poor.

The acquisition of Worralls and the ongoing organic growth of Postans have consolidated the gronp's position as the largest nroducer of powder coatings in the UK, be says.

Evode Plastic, with a bigber concentration on the sales of thermoplastic rubber, achieved a substantial increase in profits.

Evode Industries contimied to suffer from poor demand in the Republic of Ireland, and turned in a similar loss. Further substantial rationalisation bas been implemented and new distributioo agreement for the sale of Nitromors range of products Injected inlo the company.

The adhesives and sealants division produced sales of £28.71m (£28.6m) and profits of £1.16m (£1.04m). It benefited from the first stage of cost rationalisalion instigated a year ago and the improved performance of Evacor Resins. The second and final stage of rationalisation, whic hincludes a significanl examination of the operations of the whole division, was completed in October.

Roofing and insulation division had a difficult year, with sales at £10.75m (£10.19m) and nrofits £680.000 (£779,000). Allbough Evode Roofing produced similar profits, Tekurat Insulations was consistently affected by ongoing problems of commissioning new plant at Telford.

Th start to the new year is encouraging but Mr Simon does not foresee significant profil contributions from Tekurat until 1986-87.

Overall, sales showed an 18 per cent increase, but the operating profit shot up by 32.7 per cenl lo £3.93m. Interest and similar charges made inroads into thal increase as they rose from £724,000 to £1.23m.

Afler tax £1.26m (£161,000) the net profit comes to £1.55m (£2.15m) for basic earnings of 8.93p (13.25p) and fully diluted of 8.15p (11.51p). There are extraordinary debits of £766,000 (£1.03m) and cosl of the ordinary dividend is £547,000 £467,000).

Turning to the acquisition of Valentine Mann and Brown, the chairman says it is being purchased from Foilwraps Flexible Packaging in exchange for Evode ordinary shares (valued at £800.000) and cash. The shares will be placed on behalf of the vendor.

In the year ended February 1 1985 VMB produced a pre-tax profil of £218,000 on turoover of £4.89m, and for the current year profits are expected to be subslantially higber. Shareholders' funds at and-February 1985 slood at £742,000.

● comment

The two problems which continue to confront Evode are lack of activity in the building sector and fierce competition among DIY retailers with consequent pressure on margins. Against this backgroumd the 22 per cent increase in profits would look imipressive if it were not for the fact that the whole of it has come from acquisitions made during the year:. within the existing activities, the few upturns bave been more than outweighed by disappointments. The roofing and insulation division's difficulties bave continued into the current year, with a reduced order book and lower margins in evidence. This factor should be more than outweighed by further improvements in the powder coatings operations at Postans and D. Worrall and through subetantial savings made througb redundancies in the adhesives and sealants division. Meanwhile the group's attempts to diversify away from its less successful core activities have continued with the acquisition of Valentine, whose first contribntion should help take the group to £3.4m. On a fully diluted basis the shares, unchanged at 117p, are on a prospective p/e ratio of 11—an undemanding figure if the diversification achieved so far is enough to provide lift-off.

Antofagasta steps up its interest in mining

By Stefan Wagstyl

Antofagasta Holdings, a UK listed company which runs railways and distribnles water in Chile, is increasing its investment in mining in a US$6.2m (£4.35m) deal with the US oil company Atlantic Richfield.

Antofagasta is buying Anaconda South America, an Arco subsidiary with rigbts to Los Pelambres, a copper deposit in the Andes in Northern Chile and to gold peospecting rights at Panantillo, also in Northern Chlle.

For Arco, the sale is a small part of its wide-ranging programme to pull out of its loss-making metals and mining activities, whicb were largely acqnired with the pnrchase of the Anaconda group in 1977.

Antofagasta said yesterday that the acquisition represenled a considerable increase of its interest in Chilean mining—it already has stakes in two operating copper mines

The company made pre-tax profits of £6.4m in 1984. Liechtenstein-based Dolberg Finance Corporation, in which Antofagasta chairman Me A. Luksic has an interest, holds 75 per cent of the voting rights.

Martin Dickson assesses Citicorp's impact on bid tactics

The Americans are coming

Citicorp, the US bank, is fast emerging as a significant new player alongside Britain's established merchant banks as a professiooal adviser on takeovers and mergers.

As the City braces itself for a major upheaval with the impending revolution in share dealing practices, Citicorp makes no secret of its ambitions to become a major force in UK merchant banking.

The aim, says Mr Colin Scotland, the Citicorp executive director with day-to-day responsibility for UK corporate finance, is "to be the leading international player in the UK market. Kleinwort Benson, Warburg, Barclays, NatWest, Morgan Grenfell and ourselves. We intend to be in that bracket."

Several otber US investment banks have begun to get involved in this area of the markel, but nooe has committed as much effort as Cilicorp; dnring the past year il has been involved in three innovative deals.

Its first involvement in a contesled British takeover was in January last year wben Entrad, an Australian group, made a hid for Tootal, the textile manufacturer.

Citicorp was initially approached by Entrad's directors, with whom the bank bad a long standing relationship, aboul finance for the bid. Citicorp agreed to provide about £100m in loan capital, about 80 per cent of the funds required for the bighly-leveraged deal.

Citicorp then introduced Entrad lo S. G. Warburg, wbich took the lead in strategy for the bid. Citicorp, however, maintained a direct involvement, including discussions with the UK anthorities on the leverage involved.

Althougb the bid failed, the experience proved very useful several months laler when Elders, IXL, another Australian group, launched its bid for Allied-Lyons, the food and drinks group.

Citicorp is the lead bank in a consortium of eight internalonal houses thal has provided much of the finance for the bid, which is now before the Monopolies Commission. However, the main adviser on bid strategy is Hill Samuel.

The fact that both tbese early Citicorp clients were Australian is coincidenlal, says Mr Scotland. "We would anticipate that this will spread to a broad range of inlernational and domestic clients."

The third inoovate deal in which it is involved is all-British: the Argyll bid for Distillers. Citicorp is one of four banks that has taken oo the £600m loan element backing Argyll's offer.

As the world's biggest hank, Citicorp's greal strength as il finance field is its market muscle and credit skills. built up during lbe syndicated credil boom of the 1970s.

"We are able to harness our fund raising expertise, our ability lo read a market, and to put up money very quickly." says Mr Scotland. "It's a nice combination, and with companies going more lowards leveraged financing, our departments find themselves working more and more together."

Those departmenls now include one of the UK's leading venture capilal houses while, laler this year, Scrimgeour entered lbe UK corporale Vickers, a leading stockbroker, will become a full Cilicorp subsidiary.

The bank hopes lhat the closer relalionship developing witb Scrimgeour will mean greater creativity in developing takeover opportuoities along the lines of last year's ASDA-MFI merger, or the Burton bid for Debenhams, which Scrimgeour's team of retail analysis helped promote.

However, in developing both merger work and new issues business, Citicorp faces one major difficulty that its Britisb rivals do nol. US banking regulations forbid it laking on lbe risks involved in underwriting an issue of shares—whicb is one of the most lucratire businesses for its UK rivals.

Mr Scotland is critical of the presenl UK system of underwriting which, he argues, does often nol reflect real risk on the part of the banks. "My belief is that the presenl equily raising strucIure in the UK has very little lo justfy it and will change come Big Bang."

Citicorp's 16-slrong team of corporate finance specialisis has yet to take the lead as fioancial adviser in a contested takeover, though Mr Scotland believes it might do so in the nexi couple of years.

"But I don't see that we're ever going to be sole merchanl bankiog adviser to a major British company," he adds. "Those kiods of relationships are dying in New York and they are going to die here too."

He believes they will be replaced by a sysiem where companies draw on a broader range of corporate advisers, with strengths in particular areas. By next year, he hopes, Citicorp's name will start appearing formally in such a role.

Webber Electro warns of shortfall

TAXABLE PROFITS of Webber Electro Components, USM quoted electrical component manufaclurer expanded from £473,824 lo £541,151 for the year ended September 30 1985, but the directors warn of lower profits for the first six months of tbe current year.

They explain that in the first quarter of 1985-86 un-evenness in the ordering pattern by some of the company's larger accounts will lead to interim profits somewhat below those of last year. However, the directors expect an improvement in the second half, altbough lbey say it is too early to forecast if lbe likely shortfall will be recovered in the latter six months.

They add that product development continues in a number of interesting areas and the medium-term potential is still considered excellent.

Group turnover for the year increased from £1.92m to £2.19m while after tax, up from £168,711 to £227,600, earnings per 12½p share are shown as 6.82p, against 6.62p.

The dividend is increased from 2p to 2.3p net per share, with a final payment of 1.15p.

UK COMPANY NEWS

NEW LIFE BUSINESS

Allied Dunbar pensions offset lower life results

LIFE companies continne to report good new business figures for their operations last year, with generally very good pension business more than offsetting lower life figures.

Allied Dunbar Group, Britain's largest linked-life company and now a member of BAT Industries, reported new ennual premiums up by 14 per cent from £90m to £103m, and its new lump-sum investment from all sources up by a quarter from £316m to £395m.

The rise in total oew initial commissions paid, which the company regards as the more reliable index of overall new business, rose from £47m to £55m, with an underlying growth, allowing for special factors in 1984, of 17 per cent.

New annual premiums for life bnsiness declined by 11 per cent over the year to £25.9m, while life single premiums moved ahead from £159m to £168m. However, new business picked up strongly in the final quarter.

This was offset by buoyant pension business wbere new annual premiums improved by a quarter to £77.3m.

Unit trust sales of the group climbed by a third from £143m to £191m, while investment in the offshore international fund more than doubled from £14m to £36m.

Total funds under management by the group improved by 13 per cent over the year from £3.57bn to £4.05bn.

Eagle Star single premiums up 50%

EAGLE STAR Insurance Group, a member of BAT Industries, reports a good year in 1985 with new annual premiums on its worldwide business rising 11 per cent from £44.3m to £49.1m and single premiums up by nearly half from £151.2m to £223m.

In tha UK, however, the group's business showed a mixed pattern. A fall in new annual premiums from £25.9m to £21.3m was offset by a 41 per cent rise in single premiums from £118.4m to £166.7m. Under the latter figure, sales of immediate annuities, where the company is e leader, passed the £100m mark for the first time, rising from £87.8m to £102.2m.

The other highlight was the group's re-entry into the unit-linked sector with the introduction of the Rainbow Bond at the end of October, ettracting £18m by the end of the year.

Eagle Star's pensions business, both group and individual, madn significant progress with new business up 40 per cent to £37.5m. New annual premiums on the managed fund subsidiary amounted to £28.9m, bringing total pension funds under management to £1.3bn at the end of the year against £850m et the beginning.

Albany Life's pension growth

Albany Life Assurance, e member of the US Metropolitan Life Insurance Company, reported new annual premiums up 15 per cent from £14.1m to £16.3m, and single premiums rising 30 per cent from £51.1m to £66.8m.

In line with the industry trend, the company reported buoyant individual pension business. Self-employed pensions saw new annual premiums up by more than a third to £5.2m and single premiums showing similar growth to £2.6m. Executive pension business did better with annual premiums up nearly 60 per cent to £6.1m and single premiums up 30 per cent to £5.3m.

Marginal rise in Sun Life single premium business

THE Sun Life Assurance Society increased its new annual premium business by a quarter from £46.9m to £58.5m, but single premium business rose only marginally from £187.3m to £193.3m.

One of the main successes for Sun Life was the individual pensions market. New annnal premiums on self-employed and executive pension contracts climbed nearly half from £16.9m to £24.8m, while single premiums climbed by a fifth from £50.9m to £62m. Both the traditionel with-profits and the unit-linked contracts participated in the increase, with unit-linked showing thn stronger growth.

The company's conventional annual premium life business did well last year, in contrast to the general trend, with a 20 per cent advance from £14.4m to £17.3m. However, unit-linked life business declined, with new annual premiums down from £6.2m to £5.4m and singln premiums dropping from £70.1m to £55.1m. The latter drop was offset by £17.2m being invested in the new unit trust operation.

Pension scbeme annuity business was dull last year, with single payments halved to £27.9m.

Equity & Law progress

Total new annual premiums of Equity & Law Life Assurance Society for 1985 showed e rise of more than 20 per cent on worldwide business from £37m to £45.1m and a rise of 11 per cent, from £107.4m to £119.3m, for single premiums.

Business in the UK showed a mixed patern. New annual premiums on individual pensions business rose by more than three-quarters from £10.5m to £18.5m, while on group pensions it climbed from £5.9m to £6.4m.

On life business new ennual premiums on protection and savings rose from £5.8m to £7m, but personal investment premiums were cut by e third from £3.6m to £2.2m and house mortgage business by 15 per cent from £3.4m to £2.9m, with a strong recovery in the second half of the year.

Single premiums for personal investment business were marginally higher at £45.3m, wbile unit trust sales more than doubled to £5.3m. Individual single premium pension contracts rose by a quarter from £19.9m to £25m.

The company reported strong growth overseas.

CONTRACTS

Iraqi water treatment plant project

PORTALS HOLDINGS subsidiary, Paterson Candy International, has signed an initial two-year agreement worth £12.7m covering the day-to-day operation and maintenance of what is believed to be the Middle East's largest drinking-water treatment plant, Karkh Treatment Works, on the River Tigris, 40km from Baghdad, Iraq. Thn contract will necessitete recruitment of many specialist and tecbnical supervisory staff of various disciplines from the UK. A further 100 to 150 maintenance tradesmen and plant operators will also be involved. Together, they will be responsible for the running and servicing of four reservoir pumping station and control-centre sites in addition to the treatment works itself. The contract is financed througb Midland Bank, with ECGD support, under an existing UK/Iraq government protocol. It is expected to come into operation early this year. Meanwhile, PCI is continuing with the extension of the Karkh Waterworks, under a succession of contracts, to increase the plan'a output to 300m gallons per day by 1987.

*

GRASEBY DYNAMICS, a member of the Cambridge Electronic Industries Group, has been awarded a contract worth £5.75m for the supply of its chemical agent monitor (CAM) to the US Army. CAM, which uses ioo mobility principles and calculates levels of toxic hazards using e microprocessor, has already been ordered by the UK Ministry of Defence following the award of final approvals in 1984. Type classification by the US Army followed 18 months of field trials from Panama lo Alaska.

*

BRENGREEN (HOLDINGS) subsidiary companies have been nwarded contracts as follows: Arun District Council has placed n refuse collection contract worth £4.2m over its five year term with Exclusive Cleaning Services. Exclusive Health Care Services has won various contracts, the largest being for the National Heart and Chest Hospital (Brompton Hospital) worth £1.3m over its three year period.

*

Sheffield-based glassworks technology gronp KING, TAUDEVIN & GREGSON bas won orders from China worth £4m. The orders are for three glass melting furnaces, each for e different glass-making process. KTG's electric melting division at Southand-on-Sea is to design and construct electric furnaces for melting float glass and mosaic glass at the Kunming flat glass factory, Yunan. The glass division is responsible for design and supply of the third furnace—an oil-fired unit melting green glass for container manufacture—to e glassworks at Xiang Tan, Hunan. Materials and equipment are to be shipped to China later this year with construction and commissioning of the furnaces taking place in 1987.

*

Lithium batteries for use un military equipment for NATO ground forces are to be supplied under a £2.3m contract by CROMPTON VIDOR, the battery subsidiary of Crompton Parkinson, e Hawker Siddeley company. The order was awarded by thn main contractor, TRT of France, which produces the MIRA night sight with its partners MBB, Siemens and Marconi Command and Control Systems. The batteries will power the MIRA thermal imaging night sight which was developed to enable the MILAN anti-tank missile system to be operated in completa darkness. Crompton Vidor developed the compact, lightweight high power, eight volt lithium-sulpbur dioxide batter to meet the performance requirements demanded of the MIRA sight, including operation at temperatures down to 40 degrees C.

*

STONE INTERNATIONAL has been chosen to supply air conditioning and door systems for Hong Kong worth more than £2.6m. The air conditioning systems will be supplied to Metro-Cammell for the extension to the Mass Rapid Transit Corporation (MRTC) network. Metro-Cammell has also selected Stone Peters to provide doors and door operating systems for both MRTC and the Kowloon-Canton railway. Slooe Pelers has also been chosen by Comeng (Australia) for the door systems required by the Tuen Mun network in Hong Kong. Options could raise the total orders value to around £4.5m. Stone Peters was acquired by Stone International in December.

*

NORWEST HOLST CONSTRUCTION has begun work on the refurbishment of a single-storey laboratory building for the Property Services Agency at Portsdown near Portsmouth. Valued at more than £1.3m, the contract is scheduled for completion by summer 1987. Included in the work is the provision of a new pitched slete roof on top of the existing concrete roof, renewal of windows and the demolition and reconstruction of external walls. Mechanical and electrical services will also be replaced along with the general internal refurbishment.

*

BALFOUR BEATTY CONSTRUCTION has been ewarded e contract by Purac, on bebalf of Severn Trent Water Autherity, for the design and construction of a water treatment works and facilities for artificial recharga experiments adjacent to Norton Service Reservoir, Hagley, Stourbridge, West Midlands. The contract, valued at £550,000, is scheduled for completion by April 1987.

Following the announcement that Lilley's American company, Harrison-Westoo Corporation, had won e contract worth £18m for work on the Washington Metro, CHARCON TUNNELS, another Lilley Group company, bas won an order for the supply of bolted concrete tunnel linings worth in excess of £3.2m for the Washingtong subway. The segments will be manufactured et Charcon's Gainsville factory in Virginia using special moulds produced at Charcon Tunnel's Kirkby factory.

*

NEI THOMPSON has won two orders from tha CEGB worth a total of £1m. Carter Horseley Engineers, Horsham, a business unit of NEI Thompson, is responsible for the design, supply and installation of roofing, cladding, louvres and other miscellaneous work for the new national control centre at Woking, Surrey. Work is scheduled to start during the middle of 1986 and to be completed by the end of that year.

The second contract, to be executed by Carter Horseley Engineers, is for refurbishment work at Thorpe Marsh power station, in Yorkshire. The work involves the design of a renewal and replacement system of cladding to the boiler house and associated structures. NEI Thompson is part of Northern Engineering Industries.

*

PLESSEY bas been awarded a contract worth £700,000 by Kent County Council for a reconfiguration of its traffic control system. The existing system was initially supplied by Plessey in 1981 to provide fixed-time control of traffic signals in Rochester and Strood. Since then Plessey has expanded the controlle darea which now also covers Gillingham and Maidstone. A feature of the Maidstone scheme was to introduce the advanced traffic adaptive strategy known as SCOOT (tha Split Cycle and Offset Optimisation Technique) which minimised delays to motorists by automatically measuring the amount of traffic and adjusting traffic signal timings to suit. Plessey will now pu SCOOT into the existing Strood area as well as expand the system to encompass Chatham, Gillingham, Swanley (the M20/M25 motorway interchange) and eventually Dover.

*

Supply and installation of all the mecbanical and electrical services for Phase Two of St Catherines Hospital, Birkenhead, is to be undertaken by DRAKE & SCULL ENGINEERING (a Simon Engineering company), under a £710,000 contract awarded by Merseyside Regional Health Authority. Work starts in April, for completion by October 1987.

ROSSER & RUSSELL BUILDING SERVICES has been awarded a contract worth ebout £750,000 to install mechanical services in the new laboratory complex for ICI at Jealots Hill, Berks. Tbe order has been placed by the management contractors IDC Construction.

*

ALFRED McALPINE CONSTRUCTION has been nwarded a contract worth over £760,000 by the Central Electricity Generating Board for work at Ferrybridge power station, Yorkshire. Work fnvolves 50,000 cu metres of excavation and 75,000 cu metres of filling meterial to extend the exisling coal stock area, and includes construction of a 1.5 km perimeter rail track, reinforced concrete drainage channel and access road.

*

WARES CONSTRUCTION has been nwarded a contract to replace 28 Terran bungalows on varinus sites for Oswestry Borough Council, for £480,000. Tbe company will also construct 14 sbeltered flats for the elderly at Lilly Street, Woolstanton, Stoke-on-Trent, for the Staffordshire Housing Association (£290,000).

FT COMMERCIAL LAW REPORTS

Shipowner liable for agents' false dates

SAUDI CROWN
Queen'e Beneb Divisiou
(Admiralty Court):
Mr Justice Sheen:
December 13 1985

A SHIPOWNER is Habla for misrepresentations as to date made in bills of lading signed by his agent, irrespective of whether they were dated before or after the relevant cargo was put on board.

Mr Justice Sheen so beld when giving judgment for the plaintiff, C. Czarnikow (Liverpool) Ltd, buyer of feedstuffs carried on the Saudi Crown, in an action for damages against the shipownars arising out of falsely dated bills of lading.

* * *

HIS LORDSHIP said that in July 1982 a cargo of Indian rice bran extraction meal was loadad aboard the Saudi Crown at Kakinda.

Five bills of lading were issued by Rajathi Agencies on behalf of the shipownars in respect of the cargo. They named the receivers as Tracomin and Garston UK as the port of discharge.

All five bills were said to have been issued on July 15 1982. As loading of the cargo was not completed until July 26, the date on some or all of the bills appeared to be false.

By a contract made on April 29 1982 between Czarnikow and Tracomin, Tracomin had undertaken to sell Czarnikow 4,500 tons of ricebran extractions.

Clausa 6 of that contract prescribed the period of shipment as "per bills of lading to be dated June 20-July 15 1982 without extension . . . to be dated wben tha goods are actually on board."

Mr Roger Jones, who was trading on behalf of Czarnikow, wanted an exclusive cargo of ricebran, which he expected to be dellvered to Garston, though no such term was incinded in tha contract.

He notified Tracomin that the size of ships able to enter Garstou was restricted. His requirement for Garston was linked with another contract undar which Czarnikow would be *in default if the vessel were to* berth elsewhere.

Tracomin chartered Sandi Crown. Czarnikow was prepared to accept the cargo despite the fact that it knew the vessel would not be able to enter Garston.

Tracomin sent Czarnikow five original bills of lading, all dated July 15 1982. They reached Czarnikow by August 16.

The bills were scrutinised by Mr Jones. When be was satisfied that the shipment complied with tha cootract, payment for the goods was authorised on behalf of Czarnikow.

When Mr Jones accepted the bills of lading be did not know that the cargo had not all been loaded by July 15 and that the bills were wrongly dated.

Towards the end of July 1982 ba appreciated that the cargo would not arrive in tima for him to meet his commitments. He said that if ba had known the dates on the bills of leding were false, he would not have taken them up because he would hava realised the cargo would not *be available* in time.

Czarnikow claimed against *the shipowners for loss of oppor*tunity to reject the bills of lading because of frandulent misrepresentation as to the date on which the cargo was shipped.

Mr Clarke, for tha shipowners, contended that the bills were in fact signed on July 15, and that the misrepresentation was that the goods had been loaded on that date wben in fact they had not.

If it was the shipowners' case that *Rajathi Agencies signed* tha bills on July 15, that fact shonld have been pleaded and proved. It was not pleaded.

In tha defence the shipowners admitted that Rajathi Agencies ware authorised to sign bills of lading after completion of loading, but said that as they signed before all the cargo had been loaded they bad no actual, apparent or ostensible authority.

Mr Clarke contended that on the hypothesis that the bills of lading were signed on July 15 before the *full* cargo was on board, the case was indistinguishable from *Grant v Norway (1851) 10 CB 665* [which beld that the anthority of the captain to give bills of lading was limited to goods which had been put on *board*].

There was no doubt that the bills of lading were issned and signed after all the cargo was loaded.

If Rajathi Agencies were authorised to sign bills of lading on bebalf of tha shipowners, as was admitted, they must bave had authority to insert the name of the place at which and the *date* on *which each* bill of lading was issned.

It was clearly within the authority of an agent to put the date of issue on a bill of lading. It could be assumed he bad no actual authority to insert the wrong data. Tha qnestion was whether that conld affect any liability of the principal which might arise from the fact that his agent was acting within the scope of his apparent authority when inserting tha wrong date.

In *Whitechurch v Cavenagh [1902] AC 117, 137* Lord Robertson said that It was doubtful whether *Grant v Norway* represented the general law. Ha said: "I find it extremely difficult to hold that the scope of an agent's employment could be limited to the right performance of his duties or to say that an agent, whose province is truly to record a *fact*, is outsida the scope of his duties whan he falsely records it, when the question of *liability is whether a loss was to* be borne by the principal . . . or by an innocent third party who had no voice in selecting him."

That passage was precisely in point in the present case. It was within the province of Rajathi Agencies to record the data of issue on each bill of lading.

Mr Clarke contended that *Grant v Norway* provided an exception to tha general principle that an innocent principal was civilly responsibla for the fraud of his authorised agent (see *Lloyd v Grace Smith [1912] AC 736*).

In *Cox v Bruce (1887) 18 QBD 151* Lord Esher said thet the ground of *Grant v Norway* was not merely that the captain had no anthority to sign a bill of lading in respect of goods not on board, "but that the nature and limitation of the captain's anthority are well-known among mercantile persons, and that be *is only authorised to perform all* things usual in the line of business in which be is employed."

He said it was absurd to contend that persons were entitled to assume that the captain had authority to state the quality of goods on tha bill of lading so as to bind his owners before the goods were put on board. To ascertain such mattars, he said, "is obviously quite outside the scope of the functions and capacities of a ship's captain."

Putting the correct date on a bill of lading was a routine clerical task which did not require any skill. An erroneous date might be inserted negligently or fraudulently. Thare was nothing in the document to put its recipient on inquiry.

Tha date might not be material but, when it was, as in the present case, great injustice might be done to the innocent third party if ha was left to pursue whatever remedy he might have against a person of unknown financial meana in a distant land.

There was no ground for extending *Grant v Norway* to protect *shipowners from liability* for tha errors of their duly appointed agents. It could not be said that tha "nature and limitations" *of* the agents' authority were known to excluda authority to insert the date because ascertainment of the correct date was "obviously quite outsida tha scope of their functions and capacities."

It was immaterial that the misdated document was a bill of lading. Czarnikow suffered loss as a result of a *false* statement made by the shipowners' agents as to the date when the cargo was loaded. The misrepresentation was made by the agents in the course of their normal dnties.

Czarnikow was entitled to *judgmant for £20,967.*

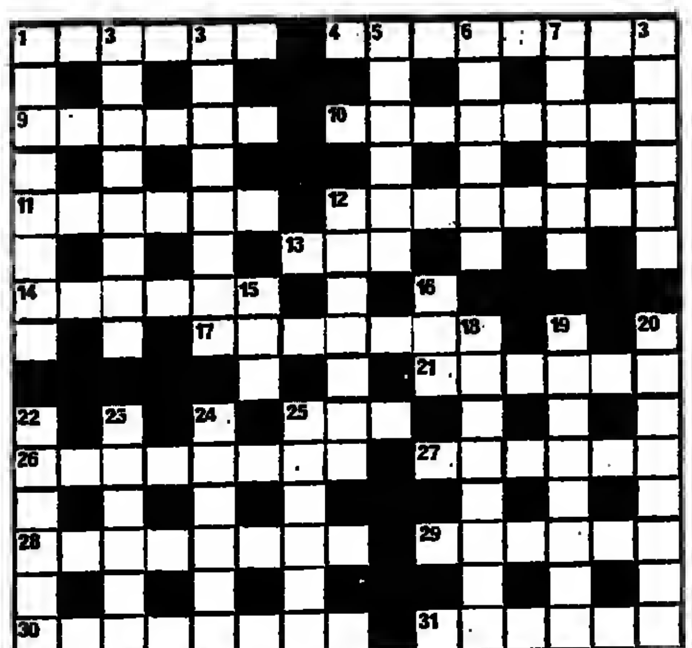
For Czarnikow: Simon Crookenden (Alsop Stevens Bateson Lane-Smith, Liverpool).

For the shipowners: Anthony Clarke QC and Nigel Jacobs (Denby and Co.).

By Rachel Davies
Barrister

These reports will be published in volume form with the full texts of judgments. For details contact Kluwer Law Publishing, Africa House, 68 Kingsway, *London* WC2B 6BD. *Phone 01-831* 0391.

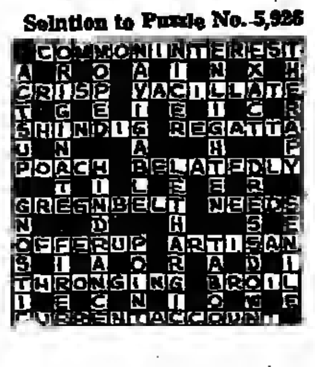
F.T. CROSSWORD PUZZLE No. 5,927



ACROSS
1 Reformed gambler (8)
4 Without *doubt* a photo-finish (8)
9 Ornamental work Lionel fashioned (6)
10 Old port with a square meal (8)
11 *Got up* smartly (6)
12 Sunny reflection? (8)
13 Look for a cause of inflation (3)
14 Horse and trap showing sign of neglect (6)
17 *Fresh flowers?* (7)
21 They play very big parts in children's tales (6)
25 A case for hedging (3)
26 The wrong put right in a gun, found in order (8)
27 Released—or *shot* (3, 3)
28 A college of nobodies? (3, 5)
29 Speak indistinctly, having knocked back a double rum (6)
30 Study of selective breeding using EEC formula (8)
31 Animal hunt (6)

DOWN
1 Monk who founded an order at foot of Scottish mountain (8)
2 *They reared up* in classic race (3, 5)
3 Joined up broken tiles in the end (8)
5 He may wall appeal to the public (8)
6 Order supplies in the depression (6)
7 Is about to get np, but flags (6)
8 Reverse some undertaking? (6)
12 Girl I took on for a job (7)
15 Doesn't allow a section to be played (3)
16 Be a self-employed solicitor? (3)
18 An office in which little or no work gets done (8)
19 Grass found at home earlier (8)
20 Invite trouble for appearing *in a satirical show* (3, 3, 2)
22 Burning with fresh zeal after a bad start (6)
23 Girl on the cricket-side is not a true member (3-3)
24 Cast from the seat of power, we bear (8)
25 Writer has something to ring firm about (6)

Seintion to Puzzle No. 5,926



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	124.4	130.1xd	-0.1	1.00
Income & Growth	46.1	49.1	-0.1	2.90
Special Situations	68.7	73.5xd	+0.7	2.10
American Growth	29.7	31.6	+0.2	3.30
Japan Growth	35.0	37.2	+0.2	0.00
European Growth	52.3	56.0	-0.2	2.90
UK Growth	44.4	47.5	-0.1	1.30
Pacific Growth	33.4	35.7		0.70
High Income	29.4	31.5xd	-0.1	8.10
Practical Income Units	44.0	46.8		2.70
Practical Accum. Units	79.0	84.1	-0.2	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	71.5	76.3	-0.3	2.77
Accum Units	105.8	112.6	-0.3	2.77
Pearl Inc.	97.3	103.5	-0.6	4.81
Pearl Unit Tst.	102.8	109.4	-0.5	3.81
(Accum. Units)	176.2	187.4	-0.8	3.81
Pearl Intl Equity	103.6	110.2	-0.1	1.81
(Accum Units)	103.6	110.2	-0.1	1.81

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	220.7	236.4	-0.6	1.39
Income	155.8	166.9	+0.1	5.30
Worldwide Recovery	124.6	133.7	-0.2	2.10
American Growth	60.3	64.7	+0.5	1.07
Intl. Emerging Cos.	67.1	72.0	-0.1	0.72
Far East Growth Fd	52.2	56.0	-0.5	1.16

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Int	50.4	53.6xd	+0.1	4.28
Prolific Far East	112.7	121.2	-0.4	0.25
Prolific Extra Inc	68.0	72.1xd		5.63
Prolific C'vert & Gilt	82.7	87.7	-0.1	7.18
Prolific High Inc	149.0	153.8	-0.4	4.80
Prolific Intl	90.5	97.1	-0.3	1.65
Prolific N. Amer.	124.6	134.0	+0.6	1.97
Prolific Spec. Sits	156.1	165.9	-0.5	1.36
Prolific Technology	106.3	114.3	+0.3	0.60

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	54.9	58.1	-0.3	0.00
Japan Acc.	55.0	58.3	-0.3	0.00
Worldwide Inc.	58.4	61.9	+0.1	1.59
Worldwide Acc.	59.0	62.5	+0.1	1.59
European Tst Inc	72.7	77.0	+0.2	0.67
European Tst Acc.	72.9	77.2	+0.2	0.67
North American Inc	51.4	54.4	+0.6	1.77
North American Acc.	51.4	54.4	+0.6	1.77
UK Equity Inc	54.8	58.0xd	-0.4	2.78
UK Equity Acc	56.0	59.3	-0.5	2.78

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	46.9	50.2	+0.1	2.47
PM Income and Growth	46.3	49.6		5.55

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Comm Trust	48.0	51.0		1.22
Holborn Equity Tst	340.4	362.1	-2.8	3.62
Holborn European Trust	67.3	71.5	+0.1	0.58
Holborn Acc Tst.	155.9	163.3	-0.1	4.82

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh 031-226 3271

American Fund	199.3	206.9	+1.9	2.32
(Accum. Units)	218.2	232.3	+2.1	2.32
(Withdrawal Units)	140.1	149.8	+1.6	2.32
Australian Fund	115.3	122.8	-0.3	0.94
(Accum. Units)	116.6	124.1	-0.3	0.94
British Fund	479.7	510.9	-0.8	4.59
(Accum. Units)	638.5	680.0	-1.1	4.59
European Fund	229.5	244.4		1.00
(Accum. Units)	241.1	257.3	....	1.00
Japan Fund	214.5	228.4	+0.5	0.37
(Accum. Units)	215.1	229.1	+0.5	0.37
Saints PPP	143.6	151.2		—

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Equity Tst.	330.2	351.2	-2.4	3.15
North America	51.7	55.0	+0.3	1.89
Far East	54.7	58.3	...	1.89

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	25.5	27.2xd	+0.5	1.8
American Income Acc.	25.9	27.4xd	+0.2	4.5
American Income Inc.	25.6	27.2xd	+0.1	4.6
European Growth Acc.	41.9	44.6	-0.1	2.0
Far East Growth Acc.	28.7	30.5	..	0.8
Int. Growth Acc.	28.2	30.0	..	0.8
Japan Growth Acc	34.9	37.1xd	..	0.3
UK Growth Acc.	29.6	31.5xd	+0.2	2.4
UK Income Acc.	26.8	28.5xd	-0.2	4.4
UK Income Inc.	26.2	27.9xd	-0.2	4.5
Managed Growth Acc.	32.1	34.1	-0.1	2.2
Managed High Yield Inc.	32.8	34.9	+0.1	6.7
Managed Income Inc.	28.1	29.9	+0.1	4.2

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	239.5	253.4	...	3.78
Equity Acc.*	288.3	305.0	...	3.78
Fixed Int. Dist.†	115.1	119.2		11.35
Fixed Int. Acc.†	168.9	175.0		11.35

*Prices on Jan 8. Next dealing Feb 12
†Prices on Jan 2. Next dealing Feb 5

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-3

TSB American	100.7	107.2	+0.9	1.29
Do. Accum.	104.9	111.6	+1.0	1.29
TSB Extra Income	90.8	96.7	-0.3	5.92
Do. Accum	104.6	111.3	-0.3	5.92
TSB General	133.5	142.1xd	-1.9	3.11
Do. Accum.	217.1	231.0	-2.1	3.11
TSB Gilt & Fxd Int	44.7	46.6xd	-1.2	9.51
Do. Accum.	57.2	59.6	-0.4	9.51
TSB Income	177.3	188.7xd	-1.0	4.83
Do. Accum.	272.1	289.5	-1.4	4.83
TSB Pacific	111.9	119.1	+0.1	0.56
Do. Accum.	114.7	122.1		0.56
TSB International	253.8	270.1	-0.2	1.85
Do. Accum	311.6	331.5	-0.3	1.85
TSB Natural Resources	45.2	48.1	-0.3	2.05
Do. Accum	46.1	49.1	-0.3	2.05
TSB Scot& Opps.	49.9	53.1	-0.2	2.04
Do. Accum	54.3	57.8	-0.2	2.04

3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc	212.4	223.6	.....	—
Equity Acc.	539.0	568.3		—
Property Acc	308.6	324.9		—
Far East Acc.	106.9	112.6		—
Managed Cap.	275.8	290.4		—
Managed Acc.	443.7	467.1		—
O'seas Earnings Acc.	355.5	374.3		—
Gilt Edged Acc.	240.9	253.6		—
American Equity Acc.	320.5	337.4		—
American Man. Acc.	156.0	164.3		—
American Prop Acc	121.9	128.4		—
Pen.F.I Dep Cap.	233.6	245.9		—
Pen.F.I. Dep Acc.	355.1	373.8		—
Pen. Prop. Cap.	375.7	395.5		—
Pen. Prop. Acc.	631.1	664.4		—
Pen. Man. Cap.	556.3	585.6		—
Pen. Man. Acc	933.3	982.5		—
Pen Gilt Edg. Cap.	245.9	258.9		—
Pen. Gilt Edg. Acc.	337.2	355.0		—
Pen. Eq. Cap.	880.0	926.4		—
Pen. Eq. Acc.	1119.1	1178.0		—
Pen Am. Eq Cap.	122.1	128.6		—
Pen. Am. Eq Acc.	130.9	137.8		—
Pen. Far East Cap.	119.0	125.3		—
Pen. Far East Acc	127.5	134.3		—
Pen. B.S. Cap	245.7	258.0		—
Pen. B.S. Acc.	363.6	381.8		—
Pen. D.A.F. Cap.	197.0	197.0		—
Pen D.A.F. Acc.	259.7	259.7		—
Pen. Mortgage Cap	110.5	116.4		—
Pen. Mortgage Acc	118.5	124.8		—

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc.	107.0	112.7		—

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds				
Managed Fund	513.7	540.7		—
Equity Fund	597.1	629.1		—
International Fund	196.8	207.1		—
Fixed Interest Fund	167.8	176.6		—
Property Fund	121.4	127.7		—
Index Linked Fund	106.1	111.6		—
Cash Deposit Fund	122.1	128.5		—
PIP Fund	1,617.3			
Individual Pension Funds				
Personal Pens Managed	310.5	326.8		—
Staffpaced Managed Pne	310.5	326.8		—
Group Pension Funds				
Group Mixed Pension	827.5			—
Equity Pension	1344.2			—
International Pension	269.8			—
Fixed Interest Pension	632.6			—
Property Pension	484.3			—
Index Linked Pension	116.9			—
Cash Deposit Pension	164.2			—

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc.	257.2	270.8		—
Property Acc	240.5	253.2		—
Int Acc	183.4	193.1		—
Managed Acc.	227.4	239.4		—
Spec Sits Acc	199.7	210.3		—
Investment Tst Acc	111.0	116.9		—
Pen Int Acc	197.3	207.7		—
Pen Prop Acc	294.6	310.2		—
Pen Equity Acc	387.0	407.4		—
Pen Mngd Acc	249.2	262.4		—

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

Hambros Generali UK Gen.	94.2	99.2		—
Hambros Generali Ppty	94.2	99.2		—
Hambros Canadian	97.6	102.8		—
Hambros Equity Inc	95.1	100.2		—
Hambros European	115.4	121.5		—
Hambros High Income	95.8	100.9		—
Hambros Jap & Far East	99.8	105.1		—
Hambros Nth American	101.7	107.1		—
Hambros Res & Assets	95.2	100.3		—
Hambros Scandinavian	102.8	108.3		—
Hambros Smaller Cos	94.6	99.6		—
Generali Intnl Managed	242.9	255.7		—
Generali Int Mgd Pens	95.0	100.0		—
Generali Cash	95.8	100.9		—

General Portfolio Life Ins. Plc
Crossbrook St, Cheshunt, Herts 0992 31971

Portfolio Fd Acc	346.3	346.3	+0.6	—
Portfolio Fd Inc	260.8	260.8	+0.8	—
Portfolio Fd. Inv. 8	346.2	364.5	+0.6	—
UK Equity	158.6	167.1	+0.9	—
Overseas Equity	121.1	127.6	-0.3	—
Smaller Companies	102.9	108.4	+0.1	—
Gilt Plus	104.9	110.6	-0.4	—
Gilt Plus 85	104.2	109.8		—
Fixed Int Dep	106.4	112.1		—
Managed	136.6	143.9	+0.3	—
Unit Man	124.8	131.5	-0.1	—

For other prices please telephone 0992 31971

Gresham Unit Assurance Ltd
2-6 Prince of Wales Rd, Bournemouth 0202 767655

Managed Fd	303.9	320.0		—
Money Fd	177.2	186.5		—

Legal & General (UA)—Contd.

European Initial	111.6	117.5	-0.4	—
Do. Accum.	112.5	118.5	-0.5	—
Far Eastern	102.6	108.1	-0.1	—
Do. Accum.	103.5	109.0		—
Fixed Initial	221.4	233.1	-1.0	—
Do. Accum.	288.4	303.6	-1.3	—
Index Linked Gilt	91.9	96.8	-0.4	—
Do. Accum.	102.2	107.6	-0.5	—
Intl. Initial	220.8	232.5		—
Do. Accum.	283.2	298.2		—
Managed Initial	276.2	290.8	-1.1	—
Do. Accum.	359.9	378.9	-1.6	—
North American	113.1	119.1	+0.3	—
Do. Accum.	114.0	120.1	+0.4	—
Property Initial	147.0	154.8	[illegible]	—
Do. Accum.	191.5	202.0	+0.6	—

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU Burgh Heath 53456

Ex. Bldg. Soc. Linkd.	102.7	108.2	+0.5	—
Do. Accum.	106.0	111.6	+0.5	—
Exempt Cash Init.	184.4	194.2	+0.3	—
Do. Accum.	239.9	252.6	+0.2	—
Exempt Eqty. Init.	523.3	550.9	-3.3	—
Do. Accum.	680.9	716.8	-4.2	—
Exempt Fixed Init.	295.2	310.8	-1.4	—
Do. Accum.	384.1	404.4	-1.8	—
Ex. Index Lnk. Gilt	94.3	99.3	-0.4	—
Do. Accum.	104.8	110.4	-0.4	—
Exempt Intl. Initial	163.3	171.9		—
Do. Accum.	190.6	200.7		—
Exempt Mngd. Init.	406.4	427.8	-1.7	—
Do. Accum.	528.8	556.7	-2.1	—
Exempt Prop. Init.	184.3	194.1	+1.1	—
Do. Accum.	239.8	252.4	+1.4	—

INSURANCE, OVERSEAS & MONEY FUNDS

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011

BNP Intercurrency Fund Ltd				
US Dollar	$10.14d			—
Sterling	£10.10d			—
DMark	DM30.30e			—
BNP Interequity Fund Ltd				
North American	$10.27	10.69d		—
Far East	$10.44	10.97		—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Combaer J. Baer SFd.	$1.377	1.378		—
S-Barr. J Baer SFd	$1.067	1.072	+2	—
DM-Barr. J.BaerDMFd	DM1.052	1.057	+2	—

*Plus charge

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm.	£7.59	0.07		—
Pac. Basin Fund	$38.35	40.56		—

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Advisers)
300 Silom Road, Bangkok, Thailand
NAV Jan 15 BAHT 256,409.34 (US$9,605.14)

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

Worldwest Inc	$153.20	151.90		8.34

Valued weekly on Wednesdays

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey 0534 73741

Unegh Trust	$11.3	43.06		11.40
Un-American Grth 1st	$17.39	18.86		1.30
Unibond Trust	$95.61	46.50		9.70
ESap Multicrncy Fd.		£11.47		10.45
UES Multicrncy. Fd.		$21.99		4.99
DM Multicrncy. Fd.		DM42.06		3.48
Yen Multicrncy Fd.		Y1,193		6.74

1 Thomas St, Douglas, Isle of Man

Uni-Aust. Acc	73.3	78.0		1.4
Uni-Aust. Inc.	71.4	76.0		1.4
Uni-Aust. Mineral Acc.	55.1	59.5		1.9
Uni-Aust. Mineral Inc.	53.9	57.4		1.9

The English Trust Group
16 Athol St, Douglas, Isle of Man 0624 20738

E.T. Far East	$11.22	11.92		—

First dealing Jan 24

Equity & Law International Fund Mgs Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	109.3	116.2	+0.7	—
Far Eastern Equity	$0.967	1.028		—
North American Equity	$0.975	1.037	+0.009	—
UK Equity	93.8	99.3	+0.3	—
UK Gilt & Fixed Int.	93.2	99.3		—
Deutschemark Deposit	DM4.896	5.047		—
Dollar Deposit	$0.983	1.013		—
Sterling Deposit	98.7	101.7		—
Yen Deposit	Y491.5	506.7	+0.1	—
Managed Currency	99.3	105.4	+0.1	—

Equity & Law International Life Assur Co Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

European Equity	57.9	62.2		—
Far Eastern Equity	$0.503	0.540		—
North American Equity	$0.514	0.554		—
UK Equity	48.9	52.5		—
UK Gilt & Fixed Int.	46.3	49.7		—
Dollar Deposit	$0.477	0.512		—
Sterling Deposit	48.1	51.7		—
Managed Currency	49.8	53.5		—
International Managed	51.1	54.9		—

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 76007

External Fund	$23.13	23.37		—
Bond & Cash Fd	$10.61	10.67		3.99
Cash Fund		121.77		—

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman, BWI

GAM Ermitage Inv Int.		$16.60d		2.42
GAM Ermitage Ltd		$18.42		—
Cayman Cash Fd		$11.60		—
Hindsight	$11.67	11.98		—

Eurofund Management S.A.
10a, Boulevard Royal, Luxembourg

US Treasury Income Fd.	$10.14		-0.01	—

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World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund Ltd		$14.25	-0.05	—

World Wide Growth Management♦
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd		$14.62	-0.07	—

Inv Adv M & G Inv Mngt. Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech		$11.01	+0.02	—
Dynamic Grwth Fd		$11.00	-0.03	—

Zero Bond Fund Limited
PO Box 200, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.41	11.03		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 17 London Wall, London EC2N 1DB 01-588 1815				
Deposit	11.45			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	11.17	8.31	12.14	Mth
7-day Fund	11.30	8.45	12.35	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fund	11.31	8.47	12.30	6-Mth
7-day Fund	11.22	8.39	12.24	6-Mth
Dollar	6.75			6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	11.50	8.50	12.55	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc.	11.75	8.78	12.95	Qtr
Mkt. Int. Chq.	11.75	8.78	13.00	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	12.00	9.12	14.52	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc.	12.15	9.08	13.59	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	12.25	9.125	13.09	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	11.75	8.78	13.06	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.00	6.96	13.35	Mth
U.S. Dollar	7.25	7.25	7.90	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.41	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus		9.34	13.93	Mth
Co-operative Bank Cheque & Save				

...

	Gross	Net	Gr Equiv CAR	Int Cr
Tyndall & Co 29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc.	12.20	9.12	13.48	Qtr
Money Acc.	12.04	9.00	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	10.75	8.04	11.41	Mth
Over £10,000	11.00	8.22	12.20	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 24101				
High Int Chq Acc.	12.69	9.48	14.03	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend

OFFSHORE AND OVERSEAS

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk.	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	18	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons.	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	34	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs.	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brist. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

North Sea crude slips below $20

BY DOMINIC LAWSON IN LONDON AND PATTI WALDMEIR IN LAGOS

NORTH SEA oil yesterday changed hands at prices below $20 a barrel for the first time since the 1979 oil price shock.

Bemused London oil traders reported that a cargo of Brent crude oil for delivery in April was sold at $19.50 a barrel, while a March cargo was sold at $19.85. On Friday March Brent was quoted at $21.40.

On the New York Mercantile Exchange prices for forward months up to October fell by the daily limit of $1 a barrel in volume of about 11m barrels. "The downward trend seems carved in stone" said a US oil trader.

The main factor behind the fall in crude prices—the Organisation of Petroleum Exporting Countries' threat to fight for a greater share of the market—was underlined yesterday by news of an aggressive new pricing policy by Nigeria.

Nigeria's oil minister, Professor Tam David-West announced yesterday that the oil companies producing in Nigeria had signed incentive agreements guaranteeing them a profit of around $2 a barrel on their lifting of Nigerian crude.

Under the new system, government taxes will be adjusted according to the spot price of crude, with the state oil company, Nigeria National Petroleum Corporation, absorbing about 90 per cent of any drop in market prices below the official selling price. The new policy, which is partly modelled on the new Saudi marketing drive, appears designed to guarantee that Nigeria sell at close to its capacity production of 1.8m barrels a day, whatever happens in the market.

This will put even more pressure on North Sea crude which is the most direct competitor with Nigerian oil. The new agreements require the companies to ensure full lifting of their equity crude entitlement and to lift unsold quantities from NNPC's own production, if requested.

The new Saudi Arabian policy of linking its crude price to the market value of oil products has seen its sales rise over the past six months from barely 2mb/d to the current level of 4.9mb/d. Almost all of the incremental production is headed for the US and European markets, the destination of North Sea crude production.

But the Saudi sales drive now appears to be displacing North Sea crude from its traditional market, with reports yesterday that Idemitsu of Japan has bought 1m barrels of January Forties field output from BP at $22.10 a barrel.

This will enable Idemitsu to sell the crude at about $23.60 in the Far East, thus undercutting the Gulf crudes, whose price has not been nearly so hard hit as the volatile and widely traded North Sea blends. Yesterday Arab light was quoted at about $27 a barrel.

Coffee market nervous on quota talks

By Andrew Gowers

COFFEE MARKETS fluctuated nervously yesterday as the International Coffee Organisation's executive Board opened talks in London on the recent sharp price rise.

The New York futures market dropped its full six-cent limit in most months. The March contract on London's robusta futures market dropped sharply during the afternoon, but still ended up £35 at £2,452.50 per tonne.

The ICO Board meeting this week, involving eight consuming and eight producing countries, is considering whether to lift export controls before they are due to lapse in mid-February, and how much of the Organisation's control machinery to leave in place when quotas do disappear.

The Organisation's discussions are not expected to alter the overall balance in the coffee market, which faces a possible shortage of quality coffees later this year as a result of the recent Brazilian drought. But traders expect the talks to continue fuelling nervous speculative activity.

● LONDON'S BALTIC Exchange is to introduce a series of new futures contracts in the second week of February.

The fledgling Meat Futures Exchange is to launch its expected beef contract on February 7. It will trade alongside the existing pigmeat and live pig futures contracts.

Three days later, the Baltic International Freight Futures Exchange (Biffex) is to launch trading on a tanker index to supplement its existing dry-cargo contract, and the London Futures Association is starting up a new contract for early potatoes, catering for the delivery months of July, August and September.

With the exception of potatoes, business on all these markets is extremely slow at present.

TEA PRICES continued their recent rise at London's weekly auction yesterday where the Tea Brokers' Association described demand as "strong and active." Quality grade tea averaged 185p a kilo, up 5p from last week's sale. Medium grade was up 5p at 145p a kilo and low medium gained 9p to 112p a kilo. There were 33,836 packages on offer, including 3,820 in the offshore section.

● INSPIRATION Resources Corp said its Inspiration Consolidated Copper Co unit will shut its sulphide crusher and concentrator facilities in the Globe, Arizona, area for about one year.

Tin crisis hopes kept alive

BY QUENTIN PEEL IN BRUSSELS AND STEFAN WAGSTYL IN LONDON

HOPES OF a negotiated solution to the long running crisis in the international tin market were kept alive yesterday in advance of today's resumed emergency session of the International Tin Council.

In Brussels Mr H. Onno Ruding, the Dutch Finance Minister, hinted that consumer members of the 22-nation ITC might yet put up cash to help meet its debts. Meanwhile Japanese officials worked on a new rescue plan which is to be presented to the ITC today. The Board and committee of the London Metal Exchange again put off a decision on reopening the tin market to give more time for diplomatic efforts to solve the crisis which erupted three months ago when the ITC ran out of money with huge debts to banks and metal brokers.

Mr Ruding spoke after a meeting of EEC Finance Ministers of which he is the current chairman. He said that the UK had once again appealed for a common line from member states but there had been no detailed discussion at the meeting.

However he said that there were bilateral talks going on between a number of countries—including West Germany, France and the Netherlands. These three countries have so far held out against starting negotiations with the ITC's creditors.

But Mr Ruding said that it was largely up to the UK to make proposals. He also warned that any deal would have to meet two preconditions—specific expulsion of any legal liability on the part of consumer nations for tin council debts; and an insistence that producing countries shoulder "the largest part of the burden."

There was no change, he said, in the attitude of several member states — they include France, the Netherlands and West Germany — rejecting any legal liability for them to honour the outstanding claims on the tin council.

"That does not mean those member countries are unwilling to put up any money, if that could contribute to resolving the problem," he added. "Some consuming member nations are prepared to put up limited amounts of money. But they do not want to give the impression that putting up money could be seen as accepting legal liability for the claims."

He said that was the position of the Dutch government, but added: "We think those who have the greatest interest in the matter should bear the largest part of the burden."

This suggestion that producer countries should put up most money brings into the open the great potential obstacle which could block a settlement even if the ITC starts negotiating with its creditors. Producer countries have been adamant that the costs of any rescue should be split equally between consumers and producers.

Meanwhile, Japanese officials declined to comment on details of their proposed rescue plan. But it is understood that it could be linked to the scheme put forward by Mr Ralph Kestenbaum, joint managing director of Gerald Metals and Mr Peter Graham, senior deputy chairman of Standard Chartered Bank, which calls for the creation of a new company to take over the ITC's assets and liabilities.

The London Metal Exchange Board and committee will meet again on Friday. They have said that the present situation in the tin market cannot be tolerated beyond the end of January.

Traders are divided over the merits of not setting a firm date for re-opening the market. Some believe a deadline would be unnecessarily provocative and could upset diplomatic efforts to settle the crisis. Others, even some ITC creditors, argue that the council has already been given more than enough time.

Strong aluminium market forecast

BY STEFAN WAGSTYL

A STRONG outlook for aluminium prices in 1986 following important cuts in the industry, is forecast by metal broker Rudolf Wolff.

In its annual review of metal and commodity markets, Wolff singles out aluminium from other base metals, for which it sees a generally subdued outlook, despite the anticipated strength of the market in the first quarter of the year.

However, aluminium prices should stay buoyant, says the report. It forecasts that aluminium could go to £900 or $1,250 a tonne early in 1986. If capacity cuts in the industry go further than expected, then it is possible that prices could go above $1,250 a tonne, perhaps to $1,500, says Wolff.

Wolff says that cuts in smelting capacity in the last 18 months have laid the ground for a better balance between supply and demand in the market. Further rationalisation is expected in the US, but the overall decline in capacity is forecast to be slower than in 1985 with new plant coming on stream in Canada, Australia and elsewhere.

For the precious metals Wolff is forecasting gently rising prices with only limited possibilities of a fall. Fears about the oil price are likely to be outweighed by the effects of a predicted decline in the dollar and of expectations of slight increases in inflation in the US. Wolff says gold could go to $375 to $400 an ounce but adds there is little evidence that it could go significantly higher — despite the recent price surge. Silver is expected to trade up to $7 an ounce, but might climb to $9 an ounce according to price chart analysis.

LONDON METAL EXCHANGE WAREHOUSE STOCKS
(Changes during week ending last Friday)

	(tonnes)
Aluminium	−5,150 to 216,775
Copper	−1,450 to 183,425
Lead	+2,100 to 67,775
Nickel	−66 to 7,224
Tin	+2,150 to 64,180
Zinc	+1,475 to 35,625
	(ounces)
Silver	−1,420,000 to 58,834,000

● Aluminium prices fell on the London Metal Exchange yesterday in spite of seemingly bullish fundamental news. The LME announced that aluminium stocks in its registered warehouses fell by 5,150 tonnes last week to 216,775 tonnes and the International Primary Aluminium Institute reported that average daily non-communist world production in December was 32,200 tonnes, down 200 tonnes from the November figure. Traders appeared to shrug off these news items, however, as prices fell sharply in early trading. At the official morning ring the cash aluminium price was £25 down at £776 a tonne, but most of this fall was recovered in the afternoon and the cash price closed at £793 a tonne, down £8 from Friday's close.

Scaling down the dairy surplus

FARMER'S VIEWPOINT

By John Cherrington

THE EEC milk quota scheme imposed in April 1984, while putting a stop to the increase in Community output, has still left the market heavily oversupplied. And the cost of disposing of unwanted butter stocks—which still exceed 1m tonnes—is an ever increasing burden on the EEC farm budget. In 1986 the cost of the milk regime will probably be more than 5.42bn European currency units (£3.33bn)—equivalent to £133 for each cow in the Community herd.

So the Commission is intensifying its search for ways of bringing the situation under control.

There are three basic options: a further co-responsibility levy on producers to provide for subsidising exports; a reduction in quotas; or the complete elimination of excess production by the buying-in of quotas under the so-called "outgoers scheme."

The Commission seems to have decided that (as far as dairying is concerned, at least) co-responsibility, which means an effective price reduction, will most probably stimulate output as farmers try to reduce their unit costs. And any reduction of quotas from the present levels would be unlikely to be severe enough to bring output into line with demand.

So there has been increasing interest in the third option, which would offer farmers buy-out payments, spread over seven years, in return for effectively sterilising their farms for future milk production. The essential difference between this and the existing quota scheme is that the quota would be attached to the farmer and not, as at present, just to the land. Once a deal had been agreed the Commission would be able to eliminate that production from its calculations for ever. In the long run it would probably be cheaper to do this.

The proposition has been strongly attacked by Britain's Country Landowners' Association (CLA), however, on the grounds that by opting for the outgoers scheme tenants would render their landlords' farms unlettable for dairy purposes, and therefore reduce their value. The CLA argues that landlords should receive direct financial compensation for this.

This attitude has upset a number of farmers who claim that as they have milked the cows, and in many cases spent their own money providing dairy facilities, they have the right to the whole of the compensation.

The National Farmers' Union is also seeking amendments to the scheme. In particular it says there should be no further loss of UK quota, and that any scheme should enable a farmer to commit only a part and not the whole of his output. In any case, it argues, the proposal should be of limited duration—the existing milk quota scheme is supposed to be for five years, and Mr Frans Andriessen of the EEC Agriculture Commission has indicated that he does not approve of quotas.

On the question of a landlord's rights the NFU has suggested that the compensation should be shared 70/30 between the tenant and the landlord. The Tenant Farmers' Association which is a growing body devoted to tenant's interests also supports a division between landlord and tenant, but without quoting an arbitrary figure. It says the share should be agreed by valuers representing each side.

The CLA is also suggesting that individual agriculture ministers should have the option of buying quota for redistribution, the cost of which could be recouped from incoming tenants. In the meantime, it adds, there should be no letting of dairy farms.

All these objections, it seems to me, miss the point of the whole exercise, which is that faced with rigid market constraints both in Europe and overseas the Commission has a duty to reduce output to approximate with viable demand. The simplest way of doing this would obviously be to cut off supplies at the source, and buying-out quota would seem to be the best way to set about it with the least disturbance to existing farm structures. (Under the latest Farm Act in the US it seems that a buyer scheme for dairy farmers is a likely runner.)

The NFU and the CLA are fearful that there could be a large number of farmers willing to take up the scheme. The NFU fears this because it might put pressure on other sectors such as cereals as farmers sought additional income. The CLA is worried that farmers might take the money and still remain in farming, perhaps in semi-retirement, while the dairying potential was lost.

But from my soundings I doubt if there will be a rush to take the money. Most dairy farmers are quite content with the quota system as it stands and would probably fight hard to retain it. The only tenants who might take it up would be those who felt their sons could not follow them because tenancy succession is now abolished, and this would not apply to many yet.

Tenant farmers do have freedom of cropping under the Holdings Acts and there would be nothing to prevent a farmer from getting rid of the cows and growing cereals or beef or whatever. But the prospects for these other crops are far from favourable even in the long term, especially when viewed from the cosy shelter of a diary quota.

Nearly 20 years ago Mr Sicco Mansholt, then farm commissioner, had a plan to take 5m hectares of farm land out of production to control the Common Agricultural Policy's over-production. He was shouted down and execrated but he was right. It must be of some satisfaction to him in his retirement to see his successors beginning to regard the same idea as possibly the only way out.

LONDON MARKETS

THE GOLD price continued to slip back from last week's peak with the London fixing showing a fall of $1.875 from Friday's level at $351.625 a troy ounce. Dealers said trading was quiet throughout the day in London but "hectic two-way trading" was reported in Zurich. A $5 rise in the platinum price to $367.50 an oz widened its premium over gold, which had narrowed last week. A firm dollar tended to put both metals under pressure, traders commented, and platinum's afternoon fixing was down 90 cents from the morning level. The dollar's firmness had the opposite effect on prices for the London Metal Exchange's sterling denominated base metals markets but only copper managed to end higher on the day, with the cash higher grade price climbing back above the £1,000 a tonne mark which it reached briefly early last week. The biggest falls were in aluminium and zinc but lead and nickel were also marginally lower. Among the soft (non-metal) commodities coffee finished a relatively modest £35 a tonne higher, after fluctuating widely again in nervous conditions, and cocoa rose a few pounds.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	792.5-3.5	−1	775/771
3 months	821-2	−6	834/800

Official closing (am): Cash 775-7 (811-2), three months 806-7 (838.5-9); settlement 777 (812). Final kerb close: 816.5-17.5. Turnover: 44,350 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or −	High/low
Cash	1007-8	+8	1005
3 months	1034.5-5	+11.5	1037.5/1027

Official closing (am): Cash 1003.5 (998.5-1000), three months 1030-1 (1025-.5), settlement 1003.5 (1000). Final kerb close: 1037.5-8.

Cathodes			
Cash	990-4	+8	—
3 months	1022-5	+10.5	—

Official closing (am): Cash 989-91 (984-5), three months 1019-21 (1014-6), settlement 991 (986). Turnover: 51,600 tonnes. US producer prices 69.50-74 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	261.5-2.5	−1	252.5/251
3 months	262.5-5	+0.5	264/261

Official closing (am): Cash 252-3 (253-.5), three months 263-4 (265-.5), settlement 253 (253.5). Final kerb close: 263-4. Turnover: 10,450 tonnes. US spot: 18.25-20 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	2780-90	−5	—
3 months	2850-5	—	2870/2850

Official closing (am): Cash 2775-80 (2775-85), three months 2825-30 (2850-5), settlement 2780 (2785). Final kerb close: 2840-50. Turnover: 2,124 tonnes.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or −	High/low
Cash	438.5-9.5	−5.0	—
3 months	453-.5	−4.5	453/446

Official closing (am): Cash 434.5-5 (443-4), three months 449.5-50 (455.5-6), settlement 435 (444). Final kerb close: 458-60. Turnover: 12,500 tonnes. US Prime Western: 32.50-35.75 cents per pound.

GOLD

Gold fell $1⅞ to $351¼-352 on the London bullion market yesterday. The metal opened at 352-353, and touched a peak of 354-355. It was fixed at $353⅞ in the morning and $351 in the afternoon, falling to a low of 349-350. Trading volume was at a lower level than most of last week, with the stronger dollar leading to downward pressure on prices. Some selling was seen in the Far East before Europe opened.

GOLD BULLION (fine ounce)		Jan. 20
Close	$351¼-352	(£247¾-248¼)
Opening	$352-353	(£246½-247)
M'n'g fix.	$353.25	(£247.267)
Aft'n'n fix	$351.00	(£247.592)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$361-361½	(£248-248¼)
½ Krug.	$185½-185¼	(£131-131½)
¼ Krug.	$94¾-95½	(£67-67½)
1/10 Krug.	$38¼-38½	(£27¼-28)
Mapleleaf	$360-360¼	(£254¼-254¾)
Angel	$359-361	(£253½-255)
1/10 Angel	$36¼-40¼	(£25-28½)
New Sov.	$84¾-85¼	(£60-60½)
½ New Sov.	$50½-51	(£35½-36)
Old Sov.	$91½-93	(£64½-65¾)
$20 Eagle	$450-490	(£317¾-346)
Noble Plat	$378-382¼	(£267-270)

SILVER

Silver was fixed 3.65p an ounce lower for spot delivery in the London bullion market yesterday at 427.1p. US cent equivalents of the fixing levels were: spot 609.45c, down 6.3c; six-month 621.1c, down 5.75c; 12-month 632.45c, down 6.35c; and 12-month 657.65c, down 3.75c. The metal opened at 425-427p (607-609c) and closed at 433-435p (614-616c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	427.10p	−3.65	430.5p	+9.0
3 months	440.30p	−3.90	443.75p	+8.25
6 months	453.70p	−3.05	—	
12 months	480.20p	−2.65	—	

LME—Turnover: 22 (9) lots of 10,000 ounces.

Three months high/low 437p. Final kerb 438-43p.

RUBBER

PHYSICALS—The London market opened slightly steadier, attracted little interest during the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): Spot 59.25p (55.50p). Feb 58.25p (58.00p). March 56.75p (58.50p). The Kuala Lumpur fob prices (Malaysia/Singapore cents) per kg RSS No 1 was 184 (same) and for SMR 20 174 (177.5).

INDICES

FINANCIAL TIMES

Jan. 20	Jan. 17	M'th ago	Year ago
—*	—*	—*	299.61

(Base: July 1 1952=100)

REUTERS

Jan. 20	Jan. 17	M'th ago	Year ago
1850.0	1845.3	1775.9	1991.5

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 17	Jan. 16	Month ago	Year ago
Spot	133.43	133.40	—	128.36
Fut.	134.49	135.65	—	125.61

(Base: December 31 1931=100)

* Not available due to suspension of tin LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Jan. 20 1986	+ or −	Month ago
Aluminium			
Free Mkt.	$1186/205	−35	$1130/50
Copper			
Cash h Grade	£1007.5	+8.0	£973.5
3 mths	£1034.75	+11.5	£997.5
Gold Troy oz	$351.625	−1.875	$327.75
Lead Cash	£252	−1	£267.5
3 mths	£262.75	−2	£277.75
Nickel			
Free Mkt.	190/208c	−3	187/207c
Palladium oz	$103.75	−0.75	$94.50
Platinum oz	$367.50	+5.00	$337.75
Quicksilver†	$220/240		$260/280
Silver troy oz	427.10p	−3.65	409.60p
3 months	440.30p	−3.90	420.85p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$63.71		$69.74
Wolfram 22.01lb.	$53/61		$56/64
Zinc	£439	−6.5	£493.8
3 months	£453.05	−4.5	£499.5
Producers	$860/700		$860/700
OILS			
Coconut (Phil)	$385v	+2.5	$435
Palm Malayan	$330z	−10	$405
SEEDS			
Copra Phil	$220v	−10	$260
Soyabean (U.S.)	$226	−1.4	$228
GRAINS			
Barley Fut. Mar.	£115.15	−0.30	£115.5
Maize	£141.00		£142.50
Wheat Fut. Mar.	£117.35	−0.35	£115.85
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1719.5	+4.0	£1788
Coffee Ft. Mar.	£2455.5	+35.0	£2779
Cotton A Index	38.60c	+0.60	48.55c
Gas Oil Mar.	$173.0	−15.75	$233.25
Rubber (kilo)	50.25p	−0.25	57.0p
Sugar (raw)	$117.5v	+1	$133.5
Wooltops 64s	400p kilo		397p kilo

‡ Unquoted. † Per 75-lb flask. c Cents per pound. v Jan-Feb. z Feb.

MEAT

Prices closed unchanged in light volume despite firmer physicals, reports Eastern Capital-CCST.

Month	Yesterday's close	Previous close	Business done
	p. per kilo (deadweight)		
Feb	102.30	102.30	102.00
April	102.60	102.50	102.50
June	100.20	100.10	—
Aug	98.70	98.80	98.80
Oct	104.50	105.30	104.80
Nov	105.60	105.90	105.80

Sales: 20 (23) lots of 50 carcases 3,250 kg.

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 95.50p per kg lw (−1.03). GB—Sheep 161.94p per kg est dcw (−16.01). GB—Pigs 74.44p per kg lw (+1.06).

COCOA

Futures opened up supported by falling sterling and remained confined to a narrow range. Commission house liquidation pared gains towards the end of the day and prices closed near the lows. Light industry offtake was unmatched by any interest from origins, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
March	1719-1720	+7.0	1725-1715
May	1715-1720	+4.0	1731-1720
July	1743-1745	+6.5	1750-1741
Sept.	1765-1766	+8.0	1772-1757
Dec.	1780-1782	+8.5	1787-1780
March	1795-1800	+6.0	1800
May	1812-1815	+6.0	1815

Sales: 1,549 (1,317) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for January 17: 105.30 (104.02): five-day average for January 20: 105.10 (105.27).

COFFEE

Following an expected opening of around £100 higher, prices raced further ahead to record gains of £184 by mid-day, reports Drexel Burnham Lambert. A weaker than anticipated New York saw a £90 reversal in London and heavy commission house selling saw even greater losses on a weak close.

COFFEE	Yesterday's Close	+ or −	Business Done
Jan.	2480-60	+80.0	2515-440
March	2450-55	+35.0	2533-440
May	2546-50	+50.5	2550-535
July	2605-10	+50.0	2732-600
Sept.	2680-85	+47.5	2840-665
Nov.	2740-55	+35.0	2800-784
Jan.	2820-60	+55.0	—

Sales: 9,139 (10,870) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 17: Comp. daily 1979 200.26 (196.80); 15-day average 212.44 (212.76).

FREIGHT FUTURES

Quiet conditions prevailed throughout the day with the market showing little change. The physical background had no fresh news to offer, reports Clarkson Wolff. The Baltic Freight Index was 907.5, up 1. The Baltic Tanker Index was 883.5, up 6.5.

	Close	High/Low	Prev.
Jan.	898/903	900/—	897/899
April	950/952	955/951	953/954
July	819/835	820.5/820	820/824
Oct.	916/917	—	916/910
Jan.	915/918	—	920/922
April	988/993	—	995/999
July	840/880	—	840/870
Oct.	950/970	—	950/965

Turnover: 64 (105).

SUGAR

LONDON DAILY PRICE—Raw sugar $117.50 (£82.50), up $1.00 (up £1.50) a tonne for January-February delivery. White sugar $161.50 (up $1.00).

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Mar.	157.0-157.2	159.4-159.8	146.6-156.2
May	145.8-144.4	148.2-148.8	147.2-145.0
Aug	150.9-150.6	151.8-155.4	—
Oct	155.6-156.2	158.8-158.6	158.2-158.0

Sales: 1,396 (2,058) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £184.00 (up £1.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 17. Daily price 4.43 (4.42): 15-day average 4.72 (4.74).

PARIS—(FFr per tonne): Mar 1245/1247, May 1285/1287, Aug 1345/1349, Oct 1390/1397, Dec 1405/1415, Mar 1480/1487.

US MARKETS

PRECIOUS METALS traded mixed as a weak dollar offset lower energy prices, reports Heinold Commodities. Copper came under modest pressure in response to the smaller than expected decline in LME stocks. Aluminium came under pressure from commision house liquidation on the lack of cash demand. A lack of fresh cash business continued to pressurise sugar values. Cocoa weakened on arbitrage selling reflecting sterling weakness. Coffee values lost ground on fears of a quota suspension which has led to a drying up in cash inquiry. Cotton firmed in light activity on commission house short-covering. The energy complex traded limit-down on continued cuts in posted prices by major US producers

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	54.00	—	—	55.75
Feb	54.25	—	—	54.25
March	54.60	55.15	54.30	56.40
May	54.95	55.55	54.60	56.75
July	55.40	55.15	55.10	57.20
Sept	55.85	—	—	57.65
Dec	56.55	—	—	58.40
Jan	56.80	—	—	58.70
March	57.25	—	—	59.15
May	57.70	57.65	57.65	59.60

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2147	2170	2143	2190
May	2197	2213	2192	2228
July	2229	2235	2222	2248
Sept	2255	2256	2245	2271
Dec	2265	2273	2260	2286
March	2278	2275	2275	2296
May	2284	—	—	2304

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	238.14	247.00	235.25	244.62
May	242.55	250.50	241.38	247.38
July	246.75	255.00	246.17	252.17
Sept	250.40	258.00	248.80	255.69
Dec	255.00	261.50	255.00	261.00
March	258.00	263.00	258.00	264.00
May	260.75	262.00	262.00	266.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	65.75	—	—	66.20
Feb	69.00	—	—	65.90
March	66.40	66.66	65.85	66.75
May	66.40	66.50	65.90	66.60
July	66.45	66.55	65.95	66.65
Sept	66.70	66.90	66.50	66.80
Dec	67.15	67.00	66.45	67.00
Jan	67.20	—	—	67.15
March	67.35	67.50	66.65	67.25
May	67.50	—	—	67.40

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	62.64	62.93	62.42	62.45
May	62.40	62.75	62.40	62.45
July	60.35	60.70	60.35	60.35
Oct	50.83	51.03	50.60	50.40
Dec	49.08	49.30	48.80	48.75
March	49.80	—	—	49.58
May	50.50	—	—	49.50
July	50.50	—	—	49.80

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Feb	21.38	22.80	21.25	23.53
March	21.80	21.96	21.80	22.80
April	20.90	21.35	20.90	21.90
May	20.60	21.01	20.60	21.60
June	20.45	21.10	20.45	21.45
July	20.31	21.05	20.31	21.31
Aug	20.20	21.00	20.20	21.20
Sept	20.10	21.00	20.15	21.10
Oct	20.01	21.00	20.01	21.01
Nov	19.92	20.75	19.92	20.92

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	354.1	—	—	357.0
Feb	355.1	355.5	350.8	358.0
March	357.0	355.3	352.0	359.4
April	358.7	358.2	353.3	361.0
June	363.1	363.5	357.5	364.5
August	367.5	366.5	363.0	368.5
Oct	372.0	370.0	367.0	373.1
Dec	376.7	375.0	371.0	377.5
Feb	381.5	375.5	376.0	382.0
June	390.7	384.5	384.5	390.8
August	390.2	—	—	395.7
Oct	395.1	—	—	400.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	58.00	62.00	58.40	63.89
March	59.64	59.64	59.64	61.64
April	57.47	57.47	57.47	59.47
May	55.64	56.00	55.64	57.64
June	54.60	54.80	54.60	56.60
July	54.70	56.00	54.70	56.70
Aug	55.50	56.00	55.50	57.50
Sept	56.00	56.60	56.00	58.00
Nov	57.30	57.00	57.30	58.30

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	94.00	93.50	92.90	94.50
March	96.60	97.25	94.50	96.75
May	97.80	98.50	96.20	98.15
July	99.25	99.25	97.70	98.40
Sept	100.10	—	99.00	100.15
Nov	100.75	—	—	100.90
Jan	101.50	—	—	101.65
March	102.25	102.40	102.40	102.40
May	102.75	—	—	102.90

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	372.8	373.5	365.5	372.1
March	374.8	—	—	374.1
April	376.5	378.5	368.5	375.9
July	379.2	380.0	371.5	378.8
Oct	382.0	379.0	375.0	381.7
Jan	384.8	—	—	384.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	617.00	—	—	615.0
Feb	619.1	—	—	617.6
March	623.0	626.5	610.0	621.5
May	631.0	634.5	616.0	629.2
July	639.4	642.0	626.6	637.4
Sept	648.2	651.6	636.5	646.0
Dec	661.1	664.5	650.5	658.9
Jan	665.6	—	—	663.4
March	674.7	672.0	668.0	672.3
May	684.2	678.0	678.0	681.5

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	5.10	5.26	5.07	5.20
May	5.42	5.58	5.37	5.51
July	5.60	5.86	5.63	5.79
Sept	5.86	5.96	5.96	5.92
Oct	6.01	6.13	5.94	6.08
Jan	6.43	—	—	6.50
March	6.69	6.77	6.69	6.73
May	6.89	6.87	5.87	6.89

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	59.25	59.25	57.52	57.75
April	61.75	61.77	60.17	60.77
June	60.95	61.12	60.00	59.97
Aug	59.57	59.70	58.80	58.82
Oct	58.07	58.58	57.90	57.62
Dec	59.70	59.90	59.25	59.12

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	44.70	44.85	43.00	44.37
April	41.65	41.80	40.70	40.72
June	45.52	45.55	44.75	44.90
July	46.10	46.20	45.42	45.90
Aug	44.45	44.50	43.85	44.05
Oct	41.05	41.20	40.40	40.65
Dec	42.40	42.40	41.80	41.85
Feb	42.85	42.87	42.85	42.87

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	249.2	249.6	247.4	249.4
May	252.6	253.2	251.4	252.2
July	252.4	253.0	251.6	252.6
Sept	226.0	226.5	225.5	227.2
Dec	219.4	218.0	217.4	218.4
March	227.6	228.4	227.4	228.2
May	232.4	232.4	231.4	232.2

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	62.75	63.10	62.30	62.35
March	63.70	63.70	62.75	62.82
May	64.25	64.60	63.95	63.97
July	64.60	64.60	63.75	63.95
Aug	61.90	62.35	61.80	61.55

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Jan	541.4	541.4	529.0	530.0
March	547.6	548.5	535.4	539.4
May	557.2	558.0	546.0	551.4
July	565.4	566.4	554.2	558.6
Aug	562.0	564.0	552.5	558.0
Sept	542.0	545.0	535.0	538.4
Nov	536.0	536.4	527.4	530.2
Jan	548.0	548.0	537.4	541.6
March	556.6	557.0	549.0	552.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	164.0	164.2	150.8	152.5
March	157.6	158.0	153.2	156.6
May	159.7	160.0	156.2	158.9
July	162.2	162.4	157.2	159.3
Aug	162.6	162.5	157.0	159.3
Sept	155.0	155.0	152.6	153.1
Oct	149.5	149.8	147.8	148.2
Dec	151.7	152.0	148.2	149.1
Jan	151.6	151.5	149.5	149.7
March	154.5	—	—	150.5

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	20.08	20.17	19.85	19.96
March	20.29	20.45	19.00	20.08
May	20.63	20.75	20.27	20.42
July	20.97	21.05	20.60	20.65
Aug	21.03	21.10	21.00	20.75
Sept	21.05	21.20	20.90	20.75
Oct	21.05	21.10	20.70	20.80
Dec	21.20	21.20	20.70	20.70
Jan	21.20	21.20	21.00	20.70

WHEAT 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	325.0	326.4	323.2	327.2
May	290.2	293.0	290.0	294.6
July	268.6	269.0	266.8	268.8
Sept	268.6	269.5	267.2	268.6
Dec	279.0	279.4	277.0	279.0
March	284.0	—	—	284.6

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 613.5 (611.5) cents per troy ounce.

GRAINS

Old crop wheat saw profit-taking after Friday's contract highs in thin trading to close at the lows. Barley was virtually untraded, losing 25p. New crops fell £1.00 on weaker Continental markets but attracted light shipper buying at lower levels to rise 20p, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Jan	114.85	−0.15	112.70	−0.50
Mar	117.35	−0.35	115.15	−0.30
May	120.90	−0.40	117.70	−0.30
July	123.30	−0.25	—	—
Sept	100.10	−0.90	98.50	−0.10
Nov	103.10	−0.85	102.76	—

Business done—Wheat: Jan 115.10, March 117.55-7.30, May 121.20-0.90, July 123.30, Sept 100.00, Nov 103.25-3.00. Sales: 175 lots of 100 tonnes. Barley: Jan untraded, March 115.30-5.25, May 117.80, Sept and Nov untraded. Sales: 5 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Feb 135.75, Mar 136.25 sellers transhipment east coast. US No 2 soft red winter Feb 122, Mar 120.75 sellers. EC French Jan 136.50 seller. English feed fob Jan 117.50, April/June 125.50, Sept 103.00 paid east coast, Jan 115 buyer, Feb 119.25/119.60 buyer/seller, Mar 120.00 buyer, April/June 124.50 seller, Oct/Dec 108, Jun/Mar 112 seller. Maize: US No 3 yellow/French transhipment east coast Jan 141. Barley: English feed fob Jan 114.50/115.00, Feb 117.00/117.50 buyer/seller, Mar 118.50 buyer, April/May/June 122.00 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed Barley: E. Mids 112.30, Scotland 108.20. The UK monetary coefficient for the week beginning Monday January 27 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing January 13 amounted to 2,084 tonnes against 2,026 tonnes in the previous week. Improved demand brought business in West African, Central African, Colombian, American, Pakistani, Chinese, Brazilian and Turkish steni, Israeli, Chinese, Brazilian and Turkish growths.

SOYABEAN MEAL

The market opened unchanged in dull trading conditions, reports T. G. Roddick. Prices eased on professional selling but recovered, as weaker sterling.

	Yesterday close	+ or −	Business Done
	£ per tonne		
Feb	133.9-134.5	−0.45	134.5
Apr	135.0-135.2	−0.25	135.5-134.5
June	132.3-132.5	−0.70	132.0
August	129.6-130.2	−0.30	130.0
October	130.9-131.0	−0.20	—
Dec.	131.5-132.5	+0.50	—
Feb.	132.5-134.5	+0.75	—

Sales: 196 (213) lots of 20 tonnes.

POTATOES

A further weakening in the domestic physical market, together with lower quotes on Dutch futures despite recent good export figures, resulted in London opening £1.80 down, basis April. The market immediately bounced back and keen buying interest supported values, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	80.30	80.00	80.00
Apr	93.00	95.90	95.20-92.00
May	99.10	102.40	99.20-98.70
Nov	75.70	77.30	77.5
Feb	82.00	—	—

Sales: 826 (982) lots of 40 tonnes.

OIL

February Brent traded at $21.58 then fell steadily to $20.85 by the afternoon before falling abruptly to $20.25 towards the close. Brent traded below $20 for March, April and May. Other crudes were neglected. Nymex WTI opened $1.03 down for February and traded $1.80 down by 1.30 pm EST. All products fell heavily on the back of rapidly falling crude and only nominal prompt buying interest—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	25.50-25.90	−0.50
Arab Heavy	25.50-26.00	−0.30
Dubai	22.00-22.10	—
Brent Blend	20.20-20.30	−1.60
W.T.I. (1pm est)	21.70-21.75	−1.80
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)

Premium gasoline	227-229	−4
Gas Oil	178-180	−22.50
Heavy fuel oil	116-117	−4.50
Naphtha	194-196	−7

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	Business Done
	$ U.S. per tonne		
Feb	175.75	−16.25	189.50-70.75
Mar	173.00	−15.75	187.00-73.00
Apr	170.00	−15.50	178.50-70.00
May	167.25	−12.75	178.50-67.00
June	166.00	−14.50	175.00-66.00
July	165.00	−14.00	174.50-65.00
Aug	166.50	−14.50	170.00-66.00
Sep	171.00	−12.25	171.00-70.00

Turnover: 6,105 (5,852) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (close, change, business done): Index 22.17-0.53; Feb 21.30-21.80-0.90, 21.60; March 20.20-20.50-1.025, 20.40-20.30; April 19.50-20.0070.80, 20.10; May 19.00-20.00; June 19.00-20.00.

Turnover: 558 (71) lots of 1,000 barrels.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up, but oil hits pound

The dollar improved after the weekend meeting of finance ministers from the Group of Five leading industrial nations in London, while sterling was very weak and nervous, as a result of falling prices on the world oil market.

Failure of the ministers to agree on co-ordinated policy for an immediate cut in interest rates was widely expected, but dealers had been reluctant to reverse the downward trend in the dollar before the weekend, in case a new policy was announced.

The foreign exchanges were quiet, with most US banks closed for Martin Luther King Day, and after a rise by the dollar in the Far East, after the G5 meeting, there was little further movement in European trading.

Attention will now focus on tomorrow's revised fourth quarter US Gross National Product growth, for further evidence about the performance of the economy.

The dollar rose to DM 2.4710 from DM 2.4635; FFr 7.5725 from FFr 7.5525; SFr 2.0970 from SFr 2.09; and Y202.35 from Y202.30.

On Bank of England figures the dollar's index rose to 126.2 from 125.9.

STERLING — *Trading range against the dollar in 1985-86 is 1.4885 to 1.0525. December average 1.4555. Exchange rate index fell 1.0 to 76.9, the lowest closing level since April 25 last year, and compared with 84.1 six months ago.*

Fears of lower oil prices, with North Sea crude trading below $20 a barrel for April delivery on the European market yesterday, depressed sterling. Although the Kuwaiti oil minister warned against a price war, financial markets were nervous ahead of next month's meeting of Opec ministers, and the pound finished at a record low against the D-mark.

Sterling lost 2.20 cents to $1.4150-1.4160, and also fell to DM 3.4975 from DM 3.5425; FFr 10.7175 from FFr 10.8550; SFr 2.9675 from SFr 3.0050; and Y286.50 from Y290.75.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.4375. December average 2.5120. Exchange rate index 131.3 against 124.3 six months ago.

The D-mark lost ground to the dollar in quiet Frankfurt trading, with most US banks closed for Martin Luther King Day. The dollar closed in Frankfurt at DM 2.4720, compared with DM 2.4625 on Friday. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 2.4740, against DM 2.4663 previously. Dealers were not surprised at the lack of a concerted policy to immediately cut interest rates, at the Group of Five meeting in London, but the German bond market eased slightly on disappointment. *Falling oil prices put sterling under* some pressure. It was fixed at DM 3.5260, compared with DM 3.5400 on Friday.

JAPANESE YEN — Trading range against the dollar in 1985-1986 is 263.15 to 199.05. December average 202.747. Exchange rate index 176.5 against 159.2 six months ago.

The yen weakened slightly against the dollar, with the US currency closing at Y202.95 in Tokyo compared with Y202.30 on Friday. After an early flurry, on disappointment that the weekend Group of Five meeting will not lead to an early cut in interest rates, trading became thin in the afternoon. The dollar touched a peak of Y203.10, but dealers were reluctant to take out positions, because of a partial holiday in the US, which was scheduled to close some of the main banks.

£ IN NEW YORK (LATEST)

	Jan. 18	Prev. close
£ Spot	$1.4375-1.4385	$1.4370-1.4380
1 month	0.50-0.54pm	0.55-0.54pm
3 months	1.63-1.60pm	1.65-1.60pm
12 months	5.78-5.65pm	5.75-5.65pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

Jan 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4130-1.4315	1.4150-1.4160	0.61-0.58c pm	5.04	1.72-1.67 pm	4.79
Canada	1.9817-2.0070	1.9817-1.9852	0.49-0.40c pm	−2.69	1.37-1.22pm	2.61
Nethlnd.	3.93¾-3.98¾	3.93¾-3.94¾	2¼-2⅛c pm	7.61	7½-6⅞pm	2.52
Belgium	71.35-71.51	71.35-71.45	25-10c pm	2.94	55-35 pm	2.52
Denmark	12.81-12.95	12.81½-12.82½	5⅞-4⅞ore pm	4.68	15⅞-13⅞pm	4.49
Ireland	1.1460-1.1600	1.1460-1.1475	0.04p pm-0.14p d	−0.82	0.06p-0.42d	−0.83
W. Ger.	3.49½-3.53⅞	3.49½-3.50	3-2⅞pf pm	8.01	7½-6⅞pm	8.16
Portugal	224.28-228.24	224.28-225.93	125-415c dis	−14.39	375-1165dis	−13.68
Spain	216.69-220.95	216.69-218.06	55-10c dis	−0.45	20pm-100dis	−0.18
Italy	2,381½-2,410½	2,382½-2,383½	5-12lire dis	−4.28	20-30dis	−4.20
Norway	10.73¾-10.89¾	10.75-10.76	⅛ore pm-⅛dis	—	1⅛pm-⅛dis	−0.26
France	10.71¼-10.85	10.71½-10.72	2⅞-2⅛c pm	3.43	3⅛-1⅞pm	0.82
Sweden	10.82-10.94¾	10.83½-10.84½†	⅜ore pm-⅜ore dis	—	1½-⅞pm	0.30
Japan	286-290¾	286-287	1⅞-1⅞y pm	8.02	4⅞-4⅞ pm	6.20
Austria	24.56-24.96	24.56-24.60	14½-12⅞gro pm	0.53	39⅞-35⅞pm	5.34
Switz.	2.9662-3.0080	2.96½-2.97	2⅞-2⅛c pm	9.86	6⅞-6⅞pm	8.76

Belgian rate is for convertible francs. Financial franc 72.30-72.40. Six-month forward dollar 3.41-3.36c pm. 12-month 5.95-5.80c pm.

† Correction (January 17). Sweden close 10.96¾-10.97¾.

EXCHANGE CROSS RATES

Jan 20	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.416	3.498	286.5	10.72	2.968	3.943	2384.	1.984	71.40
$	0.706	1.	2.471	202.4	7.573	2.097	2.785	1684.	1.401	50.46
DM	0.286	0.405	1.	81.92	3.064	0.848	1.127	681.6	0.567	20.41
YEN	3.490	4.941	12.21	1000.	37.41	10.36	13.76	8320.	6.925	249.2
F Fr.	0.933	1.321	3.263	267.3	10.	2.769	3.679	2224.	1.851	66.62
S Fr.	0.337	0.477	1.179	96.55	3.612	1.	1.329	803.3	0.668	24.06
H Fl.	0.254	0.359	0.887	72.67	2.718	0.753	1.	604.6	0.503	18.11
Lira	0.420	0.594	1.467	120.2	4.496	1.245	1.654	1000.	0.832	29.95
C $	0.504	0.714	1.763	144.4	5.403	1.496	1.988	1202.	1.	36.00
B Fr.	1.401	1.982	4.899	401.3	15.01	4.156	5.523	3339.	2.778	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Jan. 20	Short term	7 Days notice	Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmrk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $ (Sng)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: two years 8¾-9 per cent; three years 9-9¼ per cent; four years 9⅛-9⅜ per cent; five years 9⅜-9⅝ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.8320	44.5603	−0.61	+1.02	±1.5426
Danish Krona ...	8.12857	7.98925	−1.71	−8.08	±1.6421
German D-mark	2.23840	2.18278	−2.48	−0.86	±1.1455
French Franc ...	6.86402	6.69044	−2.53	−0.90	±1.3654
Dutch Guilder...	2.52208	2.45843	−2.52	−0.89	±1.5162
Irish Punt	0.724578	0.714692	−1.36	+0.27	±1.6673
Italian Lira	1520.60	1486.81	−2.22	−1.64	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

Jan. 17	Bank of England Index	Morgan Guaranty Change %
Sterling	77.0	−13.3
U.S. dollar	125.9	+12.2
Canadian dollar	80.5	−11.2
Austrian schilling	132.5	+6.4
Belgian franc	93.1	−9.2
Danish Kroner	83.4	−2.2
Deutsche mark	131.6	+12.2
Swiss franc	150.5	+11.5
Guilder	121.2	+7.5
French franc	70.1	−11.2
Lira	45.3	−12.5
Yen	176.2	+28.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Jan. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.765244	0.618966
U.S.$	7½	1.09162	0.882544
Canadian $	10.21	*	1.23658
Austria Sch.	4	N/A	15.3556
Belgian Fr	9¾	55.1254	44.5603
Danish Kr	7	0.87696	7.98925
D'mark	4	N/A	2.18278
Guilder	5	N/A	2.45843
French Fr	9½	N/A	6.69044
Lira	15½	N/A	1486.81
Yen	5	221.522	178.965
Norway Kr	8	N/A	6.70412
Span'h Pta	—	N/A	136.457
Swedish Kr	9½	N/A	6.76090
Swiss Fr	4	2.28967	1.86135
Greek Dr'ch	20½	N/A	132.785
Irish Punt	—	N/A	0.714602

*CS/SDR rate for January 17: 1.53177.

OTHER CURRENCIES

Jan 20	£	$
Arg'tina	[illegible]	[illegible]
Aus'alia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
H'kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxe'burg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N'Z'land	2.7370-2.7470	1.9270-1.9340
Saudi Ar.	5.1650-5.1696	3.6503-3.6507
Sin'pore	3.0100-3.0200	2.1260-2.1290
S.Af.(Cm)	3.2530-3.2605	2.2910-2.2960
S.Af. (Fn)	4.1760-4.2385	2.9410-2.9860
U.A.E.	5.1965-5.2080	3.6725-3.6735

*Selling rate

...† Correction January 17: NK-£ rate was 11.2280-11.2880.

FINANCIAL FUTURES

Sharp fall

Sterling prices fell sharply in the London International Financial Futures Exchange yesterday in reaction to lower oil prices. Earlier in the day there had been some disappointment following the weekend meeting of G5 finance ministers as earlier rumours of an across the board cut in interest rates proved to be unfounded.

Early trading patterns tended to highlight the complex and speculative nature of the majority of recent volume. Short positions had been squared ahead of the weekend meeting but speculators sold off initially in the absence of an interest rate announcement. Values moved above opening levels later in the day however on hopes that the Bank of England would act to maintain current levels of interest rates. However a drop in the price of North Sea oil to below $20 for April and sterling's weaker trend, ensured a sharp decline during the afternoon. With cash rates now discounting at least a half point rise in base rates, three-month sterling deposits for March delivery closed at the day's low of 86.34, down from an opening level of 86.65 and Friday's close of 87.17.

Gilt prices acted in the same way and the long gilt for March delivery finished at 107-00 down from an opening level of 108-09 and Friday's close of 109-01. Euro-dollar prices traded in a narrow range after a sharp mark down from Friday's close. Volume was rather low in view of a partial closure in the US for a holiday. The March price opened at 91.84 down from 91.?? and traded in a narrow four point range to close at 91.86.

On the other hand US Treasury bond prices were up from opening levels, possibly helped by a stronger dollar. It opened weaker from Friday at 82-16 down from 83-22 but rose steadily during the day to finish at 82-28.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4156	1.4096	1.3986	1.3817	1.3568

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	1.4260
June	[illegible]	[illegible]	[illegible]	1.4090
Sept	[illegible]	[illegible]	[illegible]	1.3950
Dec	[illegible]	[illegible]	[illegible]	1.3945

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	1.4290
June	[illegible]	[illegible]	[illegible]	1.4130
Sept	1.3735	—	—	1.3995

Est volume 70 (11)
Previous day's open int 1,940 (1,945)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4068	0.4070	0.4064	0.4084
June	0.4104	—	—	0.4118

Est volume 18 (5)
Previous day's open int 182 (184)

STERLING INDEX

	Jan 20	Previous
8.30 am	77.6	77.9
9.00 am	77.6	77.9
10.00 am	77.6	77.9
11.00 am	77.5	77.8
Noon	77.4	77.8
1.00 pm	77.4	77.9
2.00 pm	77.3	78.0
3.00 pm	77.0	77.9
4.00 pm	76.9	77.9

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

US TREASURY BONDS 8% $100,000 32nds of 100%

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

US TREASURY BILLS (IMM) $1m points of 100%

FT-SE 100 INDEX £25 per full index point

CERT DEPOSIT (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.86	91.87	91.83	91.89
June	91.69	91.70	91.64	91.82
Sept	91.46	91.47	91.43	91.58
Dec	91.20	91.23	91.16	91.34
March	90.95	90.96	90.96	91.06
June	90.73	—	—	90.95
Sept	90.50	—	—	90.62

Est volume 2,736 (4,311)
Previous day's open int 20,098 (20,000)

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	91.87	91.88	91.84	51.89
June	91.69	91.70	91.68	91.81
Sept	91.45	91.45	91.42	51.55
Dec	91.16	91.15	91.14	51.28
March	90.93	90.93	90.90	91.03
June	90.66	90.66	90.65	90.77
Sept	90.43	90.43	90.42	90.5[illegible]
Dec	90.22	—	90.22	90.3[illegible]

MONEY MARKETS

UK rates continue to rise

Interest rates rose in London yesterday, partly on disappointment after the weekend meeting of finance ministers and partly as a reflection of sterling's fall to a nine month low in the face of lower oil prices. There had been speculation last week that the group of five nations' finance ministers would instigate an across the board reduction in interest rates. This failed to materialise and with oil prices in the forward market touching below $20, there was little cheer in the money market.

Three-month interbank money touched a high of 13¼ per cent before finishing at 13³⁄₁₆-13⁵⁄₁₆ per cent up from 12¹¹⁄₁₆-12¹³⁄₁₆ per cent. Three-month eligible bank bills were bid at 12¾ per cent up from 12⁹⁄₁₆ per cent. Overnight bank money traded between 13¼ per cent and 9 per cent.

The Bank of England forecast a surplus of around £150m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £727m and the unwinding of previous sale and repurchase agreements a further £208m. In addition banks brought forward balances £5m below target. These were more than offset by a £490m take up of the latest gilt sale and repurchase facility and Exchequer transactions of £300m. There was also a fall in the note circulation of £285m. The forecast was revised to a surplus of £200m and the Bank did not intervene in the morning.

The Bank of England revised its forecast once again, this time to a surplus of around £150m and sold £150m of Treasury bills at 10½-11½ per cent for today.

In Frankfurt the Bundesbank announced a new sale and repurchase agreement, running for 28 days and at a minimum tender rate of 4.5 per cent. Funds will be credited to banks on Wednesday and the amount allocated is expected to be about the same as a maturing facility worth DM 8.7bn. Call money was quoted at 4.50-4.60 per cent compared with 4.45-4.55 per cent on Friday while short term liquidity remained in good supply. Rates showed little reaction to the outcome of last weekend's meeting of G5 finance ministers.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	n/a
Broker loan rate	"
Fed funds	"
Fed funds at intervention	"

Treasury Bills & Bonds

One month	n/a
Two month	"
Three month	"
Six month	"
One year	"
Two year	"
Three year	"
Four year	"
Five year	"
Seven year	"
10 year	"
30 year	"

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 20)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust

LONDON MONEY RATES

Jan. 20	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	9-13¼	11½-12⅛	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Depos	10½-11	12-12¼	—	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Depos	9-13	11-11½	[illegible]	[illegible]	[illegible]	[illegible]
Company Depos	11-12¼	12-12½	13	[illegible]	[illegible]	[illegible]
Finance Hse Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 12⅝ per cent; three-months 12⅝ per cent. Bank Bills (sell): one-month 12⅝ per cent; three-months 12⅝-12⅞ per cent. Treasury Bills: Average tender rate of discount 12.1337 per cent. ECGD Fixed Finance Scheme IV reference date December 4 to January 7 (inclusive): 11.338 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from January 1 1986. Bank Deposit Rates for sums at seven days' notice 6¼-6⅜ per cent. Certificates of Tax Deposits (Series 8). Deposits £100,000 and over held under one month 12 per cent; one-three months 12¼ per cent; three-six months 12¼ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11½ per cent from January 14. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Jan. 20	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.5-4.6	4.65-4.80	4.50-4.65	4.55-4.70	4.60-4.75	5.5
Paris	8⅝	8⅞-8⅞	8⅞-9⅛	9-9⅛	9-9⅛	8¾
Zurich	[illegible]	4-4⅛	—	4-4⅛	—	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on January 20, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	10.02
Algeria	Dinar	(A)6.83
Andorra	French Franc	10.7175
	Spanish Peseta	218.88
Angola	Kwanza	43.0875
Antigua	E. Caribbean $	3.85
Argentina	Austral	1.1557
Aruba	Florin	2.57 (18)
Greenland	Danish Kroner	12.83
Grenada	E. Caribbean $	3.85
Guadaloupe	Local Franc	10.7115
Guam	U.S. $	1.4155
Guatemala	Quetzal	1.4155
Guinea	Syli	?9.17
Guinea-Bissau	Peso	9?3.08
Guyana	Guyanese $	5.7120
Haiti	Gourde	7.13
Peru	Inti	exc(A)20.4550 16
Philippines	Philippine Peso	20.45
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.7420
Poland	Zloty	212.21
Portugal	Portuguese Escudo	225.11
Puerto Rico	U.S. $	1.4155

LONDON SHARE SERVICE

BRITISH FUNDS

1985/86 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¼	99¼	Exch. 11¼pc '86	99¾xd	.....	11.76	12.70
99¾	96¼	Treas. 10pcCnv 1986	99¼	.....	10.06	12.66
97¼	92¼	Treas 3pc 1986	97¼	–⅛	3.08	11.40
100	97½	Exch. 10½pc 1986	99¼	–⅛	10.59	13.21
101⅞	99¾	Treas 12pc 1986	99⅝	–⅛	12.05	12.88
90¾	94¾	Treas 8½pc 1984-86‡‡	98¼xd	–⅛	8.66	12.81
105¼	100⅝	Exch. 14pc 1986	100⅝	–⅛	13.91	12.98
95⅝	87¼	Exch. 2½pc 1986	95¼	.....	2.62	8.25
104¼	100½	Exch. 13¾pc 1987	100⅝xd	–⅛	13.16	12.70
99¾	96⅝	Treas 10½pcCv '87	97¾xd	–⅛	10.49	12.70
93¾	85½	Exch 2½pc 1987	93⅜xd	+⅛	2.67	8.89
100¼	96¼	Exch. 10½pc 1987	97⅝	–⅛	10.76	12.62
95¼	89	Funding 6½pc '85-87‡‡	93¾	–⅛	6.92	11.73
99¼	95½	Treas. 10pc 1987	96¼	–⅛	10.32	12.43
92⅝	84¼	Treas 3pc 1987	90¾	–⅛	3.30	9.75
102¾	99⅝	Treas. 12pc 1987	99½	–⅛	12.06	12.27
95¼	90¼	Treas 7¼pc 1985-88‡‡	93xd	–⅛	8.33	11.76
100¼	95½	Exch 10½pc '88	96¾	–½	10.85	12.11
98⅝	93⅝	Treas 9½pc Cv '88	95¼	–⅛	10.24	12.11
87⅝	80	Transport 3pc '78-88	86⅝	–½	3.46	9.25
97⅝	91½	Treas. 9½pc '88	94	–¼	10.11	12.09
102⅝	97½	Treas 11½pc 1989	98⅝xd	–⅛	11.66	12.06
97¼	90¼	Treas 9½pc Cnv. '89	93⅝	–⅛	10.20	12.10
84¼	79	Treas 3pc 1989	82⅝	–⅛	3.63	9.19
99⅝	94	Treas 10½pc 1989	95⅝	–⅛	10.95	12.01
98⅝	92	Exch 10pc 1989	94½xd	–⅛	10.62	12.10
101¼	95	Exch 11pc 1989	97¼	–⅛	11.33	11.99
86⅝	79	Treas 5pc 1986-89	84⅝	–⅛	5.91	10.02
99	95¼	Exch 10½pcCv '89	95¼	–⅛	10.78	11.88
108¾	103⅛	Treas 13pc 1990‡‡	103¼	–⅛	12.57	11.89
101⅞	96¾	Exch 11pc 1990‡‡	97¼xd	–⅛	11.33	11.93
108¼	100¼	Exch. 12½pc 1990	101⅞	–¼	12.27	11.92
81¼	75¼	Treas. 3pc 1990	79⅝	–⅛	3.77	8.69

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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Diamond and Platinum

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Miscellaneous

1985/86 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
42	33	Anglo Utd Dev.	39	+1	[illegible]	2.1	3.0
170	48	♥Colby Res Corp.	65	...	—	—	—
550	175	Cons. Murch. 10c	300xd	...	[illegible]	3.9	‡
40	24	✝Ennex Int. Ir10p	28	-2	—	—	—
125	70	Greenwich Res.	78	-2	—	—	—
215	115	Hampton Areas 10p	140	-3	3.75	0.9	3.6
260	135	♥Highwood Res.	175	...	—	—	—
£22½	£15¼	Homestake Mining $1	£18⅞	+⅛	Q20c	—	0.7
310	155	♥McFinley Red Lake	230	...	—	—	—
335	195	♥Musto Explorations	240	...	—	—	—
55	23	♥New Sabina Res C$1	42	...	—	—	—
375	195	Northgate C$1	245	...	—	—	—
685	507	RTZ	555	-3	†20.0	2.0	5.1
£145½	£114½	Do. 9⅞pcLn '95-2000	£123	-1	Q9⅞%	14.0	†7.7
980	800	♥Tara Exptn $1	825	+15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock".
- High and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- No par value.

B.Fr. Belgian Francs. Fr French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	101	-1
Craig & Rose £1	850	.....
Finlay Pkg. 5p	45	.....
Holt (Jos) 25p	720	.....
IoM Stm. £1	60	.....
IRISH		
Fund 11¼% 1988	£97⅝	.....
Nat. 9¾% 84/89	£93⅝xd	.....
Fin. 13% 97/02	£106	.....
Arnotts	230	.....
CPI Hldgs	57	.....
Carroll Inds.	147xd	+1½
Dublin Gas	70	.....
Hall (R. & H.)	58	.....
Heiton Hldgs.	25	.....
Irish Ropes	47	.....
Unidare	128	.....

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan 13	Jan 23	Jan 24	Feb 3
Jan 27	Feb 6	Feb 7	Feb 17
Feb 10	Feb 20	Feb 21	Mar 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Revived interest rate pressures make for nervous session

Fears of dearer money returned yesterday following the inconclusive outcome of the weekend Group of Five meeting. The absence of the boped-for initiativo oo international interest rates disappointed London share and bond markets which were soon forced to contend with revived downward pressures. Oil prices were the key and a further fall in North Sea crude brought instant repercussions in all financial merkets.

Commercial mooey market rates rose—three-months interbank touched 13½ per cent before easing slightly—and sterling weakened in nervous foreign exchange markets, despite unconfirmed reports of official intervention. The rete against the dollar dropped some 2¼ ceots to $1.4155, while the price for North Sea oil Brent April delivery dipped to $19.50 per barrel.

Government securities inevitebly camo undor pressure immediately dealings opened. Persistent domosuc end US tiquidation sent prices progressively lower with dealers finding little offtake owing to tho escalating threat to bank base rates, currently at 12½ per ceot. Selling feded eventually but no attemptw as mede et e recovery and the unsettled tone continuod in the afterbouro' trade.

Longor-datod Gilts thoo showed sharp falls stretching to 1¾ points, while the shorts were a maximum of ¾ down on the day. Indexlinked issues suffered with conveotional stocks and closed with losses extending to nearly a point.

Leading shares took considerablo punishment, although there was little evidonce of any major divestment programme. A progression of sales from nervous private clients, however, left most blue chip stocks at the session's lowest. The FT-SE 100 share indox dropped 17.7 to 1378.3, but the fall in the FT Ordinary share index was cushioned by early firmness in constituonts **Distillers, Plessey** and **GEC**.

Distillers' responded initially to oews, well signposted in the wekeend press, of an agreed shares and cash offer from Guinness. This countered the unwelcome bid from Argyli, and Distillers moved higber before driftiog back on thongbts that the proposed merger could be reforred to the Mooopolies Commission. Plessey benefited from bopos of the GEC bid not meoting with a referral, but the price gave way after-hours oo the Trade Secretary's decisioo to refer the offer to the MMC.

Clearers react

Clearing banks failed to take Friday's good gains a stage further. Investors withdrew leaving tho market vulneroble to sporadic bouts of profit-taking. **Barclays** lost 10 at 458p and **Lloyds** relingquisbed 8 at 478p, while **Midland** gave up 6 at 440p eod **NatWest** cheapened 4 at 702p. Elsewbere, **Leopold Joseph** were marked up 10 to 340p in response to press comment.

Price movoments in Insurances usually against holders. Fading bid hopes left **GRE** a further 12 down at 763p, while **Royals** lost 8 ot 795p and fallso £ 4 and 5 respectively were seen in **Commercial Union**, at 239p, and and **General Accident**, at 725p. Among dull Life issues, **Prudential** declined 13 at 772p end **Legal and General** receded 14 at 708p.

Distillers advanced to a oew high of 592p in immodiate response to the agreod counter-bid from **Guinness**, but subsequently gave ground amid Mnnopolies reference fears and closed 5 lower on balance at 562p. Guinness fell 13 to 290p, while **Argyll Group**, nriginal suitors fnr Distillors, dippod to 348p before settling a net 15 cheaper et 355p. Leeding Breweri**e**s also showed sizeeble losses. **Bass** sbed 15 to 635p, whils **Whitbread A**, 230p, and **Allied-Lyons**, 257p, declined 7 and 8 respectively.

Confirmetion that the Channel Tunnel Group had been chosen to build the cross-Channel fixed link gave a mild boost to the construction groops involved in the consortium. **Costain** firmed 4 to 478p and **George Wimpey** bardened a ponny to 144p, while **Taylnr Woodrow** added a couple of penco to 482p. Other leading Building issues turned easier on interest rate uncertainties. **Blue Circle** slipped 7 to 556p and **Redland** shed 3 to 360p. Housebuilders **Barratt Developments** fell 6 to 120p. **Rugby Portland Cement**, however, continued to attract speculative support on takeover bopes and gained a ponny more to 151p.

ICI eased to 743p before steadying on currency influences to close a shade dearer on balance at 746p. Elsewhore in the Chemical sector, **Yarkshire Chemicals** attracted revived speculative demand and gained 6 to 73p.

Stores dull

Dearer money worries continued to unsettle leading Steres. **GUS A**, 737p, **Burton**, 500p, and **Woolworth**, 450p, all displayed double-figure losses, while **Marks and Spencer** eased 4 to 170p. **Harris Quensway**, depressed on Friday following a downgrading of profits by broker James Capel, fell 8 more to 204p, while **W. H. Smith A**, ioterim results scbeduled for Wednesday week, sbed a similar amount to 250p. **Plessey** and **GEC** both cheapened a couple of pence to the common level of 116p having earlier touched 176p and 172p respectivsly. Among nther quietly dull Electrical leadars, **BICC**, et 258p, lost half of Friday's gain of 10, while **Thorn EMI** also ended 5 off at 392p. **British Telecom** were a few peoce down at 183p. Elsewhere, **Micro Business Systems** jumped 15 to 84p following week-end comment on the recent appointment to the board of two senior marketing executives from IBM (UK). Newspaper comment also ettracted buyers' to **Atlantic Camputer**, 10 up at 240, while **Wholesale Fittings** were favoured at 285p, up 10. **Electronic Machine** rose 8 to 53p on recovery hopes and **Acorn Computer** edged forward a couple of peoce to 46p.

Engineers gave an uninspiring performance with the day's scattered movements usually limited to a few pence either way. Among smaller price issues, provincial selling left **Cooper Industries** a couple of pence lower at 27½p, but **C. and W. Walker** firmed that amount to 40p in response to Press mentioo. Elsewhere, late support lifted **Cronite** 5 to 59p. **McKechnie** continued to edgo higher with a 2 rise at 198p, while takeover favourite **Thomas Robinson** put on 4 to 164p. **Westland**, in cootrast, drifted off to close 5 lower at 93p aweiting further developments.

Against the trend in a dull Food oector, **Cadbury Schweppes** edged up a penny to 156p as takeover rumours persisted. **Rowntree Mackintosh** drifted off to close 5 cheaper at 390p, while **United Biscuits** shed a like amount to 235p. **Tate and Lyle** slipped to 525p prior to closing only a couple of pence cheaper at 528p, but **S. & W. Berisford** remained oo offer in the abseoce of a solotion to the three-month-old tin crisis and cheapened 2 more to 135p. Food Retailers were dull on dearer credit fears. **ASDA-MFI** lost 4 to 130p and **Tesco** eased 5 to 275p. **William Low** dipped 23 to 530p. Against the treod, **Normans** firmed a penny to 71½p following Press comment, while **Glass Glover** rose 10 to 240p ahead of the annual results expected on Thursday.

Kennedy Brookes tooched 243p before closing a oet 7 up at 237p amid rumours of a bid from **Trusthouse Forte**; tho latter slipped 3 to 149p. **Grand Metropolitan** gavo up 7 to 371p.

Chan. Tunnel good

The decision in favour of the twin rail link brought **Channel Tunnel** to promioence, the shares advancing to 175p before closing 30 higher oo the day at 153p. **Trafalgar House**, bowever, a member of the rejected Euroroute project consortium closed 19 lower at 320p. Elsewhere in the miscellaneous industrial eector, **Wedgwood** met with fresh bid speculation and put oo 7 to 262p, while **Aaronite** firmed 5 further to 68p on the takeover approach. Shell situation **Ashley Industrial Trust** encountered further demand and rose 4 more to 80p, but **Unigroup**, a good market recently, gave up 7 to 79p. The encouraging tenor of the chairman's annual review failed to help **English China Clays** which eased 4 to 286p. Recent speculative favourities, **Pearson**, 420p, and **Metal Closures**, 130p, lost 8 and 10 respectively, while revived offerings left **Prestwich** 5 cheaper at 105p.

Among Leisure issues, **Aspinall Holdings** firmed 5 to 150p on revived takeover hopes, while **First Leisure** rose 10 to 428p awaiting today's full-year figures.

A couple of firm spots emerged among otherwise lacklustre Motor Components. **Armstrong Equipment** were outstanding for a speculative advance of 5 to a new bigh of 80½p. Press comment aided **Jonas Woodhead**, a couple of pence to the good at 37p, but **Lucas Industries** encountered occasional offerings and settled 8 off at 478p. Elsewhere, **Jaguar** rallied from 345p to close 2 dearer on balance at 349p. Among Distributors, **Godfrey Davis** hardened 3 more to 118p, while a favourable Press mention lifted **Lookers** 4 to 98p; the last-mentioned is due to announce full-year figures tomorrow.

Home Counties continued to ettract buyers among Newspapers, rising 13 more for a two-day gain of 19 et 111p. Elsewhere, **David S. Smith** put on 7 to 150p, after 152p, in reply to the impressivo interim results, while **McCorquodale** reflected Press comment with a rise of 3 to 158p, after 165p.

Properties remained cautious about tho outlook for interest rates and quotations drifted back in the absence of support. **Land Securities** lost 6 to 279p and **MEPC** shed 5 to 278p, while **Great Portland Estates** gavo up 4 to 150p. **Stock Conversion**, in which Stockley holds a sizeable stake, came back 15 to 520p and **Regalian** fell 10 to 340p. **Country and New Town**, a firm market last week on news that Mr John Gunn had been appointed a non-executive director, slipped 3 to 109p. Against the trend, **Mann & Co** firmed 6 to 212p following the agreed acquisition of fellow estato agent Abbotts (East Anglia) for approximately £5m.

David Dixon, up 60 during the first leg of the Account following confirmation that the company is currently involved in merger talks with A. & J. Gelfer, continued to attract buyers and advanced 14 more to 298p.

Oils easier

Bearish comment in the week-end Press on the immediate outlook for crude oil prices and a subsequent further sharp fall in the latter led to another depressing session in the oil sector.

Little in the way of selling pressure was reported but the cootinuing slide in oil prices and the abseoce of any worthwhile buying interest saw share prices drift easier throughout the day.

At the close **BP** were left with a 7 decline at 543p while **Shell** lost 3 to 660p and **LASMO** 5 to 180p. Favourable Press comment oo the forthcoming ADR facility sustained **Britoil** which end the session unaltered at 200p, after 198p.

Secondary oils were similarly unsettled. **Carless Capel** lost 3 at a 1985-86 low of 78p, **Great Western Resources** fell 10 to 95p and recently-buoyant **Jackson Exploration** gave up 6 to 28p, the latter in the absence of the hoped-for exploration oews.

Golds lose ground

Interest in recently buoyant mining markets continued to contract as the bullion price lost further ground after last week's unexpectedly strong advance. The metal price dipped to around $348.50 at ono point yesterday before rallying to close a oat $1.875 off at $351.625 an ounce.

Gold shares opeoed sharply lower, reflecting American profit-taking oo Friday evening, bot staged a minor rally in mid-morning oo the appearance of renewed Johannesburg buying interest, which was particularly noticeable in the cheaper priced marginal issues. However, the recovery movement proved a short-lived affair and share prices dipped afresh in late trading when further selling from the US was reported.

The Gold Mines index retreated a further 5.5 to 339.5.

Australians also mirrored disappointment with the performance of precious metals and retreated across a broad front. Top-quality Golds, bowever, proved a resilient market—**GMK** and **Central Norseman** held at 465p and 383p respectively, but **Poseidon** came under sustained pressure and settled 10 lower at 146p. Elsewhere in Golds **Australian Consolidated Minerals** ran back 4 to 82p and **Carr Boyd** fell a like amount to 83p, while **Kitchener** and **North Kalgurli** gave up 3 apiece at 54p and 44p respectively. **Western Mining** were the worst affected among the diversified issues and fell 7 to 180p.

Traded Options

Traded Options opened the week on a bright note with 16,185 contracts transacted. Business was relatively evenly split between calls and puts. **Distillers** were active following the countor-bid from Guinness and recorded 2,320 calls, while operators also displayed interest in **Imperial Group** and **GEC** which attracted 643 and 711 calls respectively. The increase in put trading was mainly attributable to **British Telecom** which recorded 4,119 trades.

FINANCIAL TIMES STOCK INDICES

	Jan. 20	Jan. 17	Jan. 16	Jan. 15	Jan. 14	Jan. 13	year ago
Government Secs	80.69	81.26	81.52	80.98	80.61	80.95	80.20
Fixed Interest	86.86	87.10	87.11	86.64	86.70	87.42	84.14
Ordinary ♥	1106.1	1118.7	1113.2	1109.6	1094.3	1108.8	1003.8
Gold Mines	339.5	1345.0	348.0	311.6	306.8	300.2	463.7
Ord. Div. Yield	4.46	4.44	4.45	4.46	4.52	4.46	4.32
Earnings, Yld. %(full)	10.97	10.88	10.91	10.93	11.07	10.94	10.80
P/E Ratio (net) (*)	11.31	11.41	11.38	11.36	11.21	11.36	11.11
Total bargains (Est.)	23,112	24,129	23,278	24,103	26,443	24,673	23,561
Equity turnover £m.	—	572.6	—	391.79	020.14	321.79	456.01
Equity bargains	—	21,160	—	†19,948	21,562	19,948	30,831
Shares traded (ml)	—	237.2	—	186.4	245.5	196.4	249.7

♥ 10 am 1115.0. 11 am 1113.1. Noon 1112.5. 1 pm 1112.2. 2 pm 1112.4. 3 pm 1110.1. 4 pm 1108.6. Day's High 1118.1. Day's Low 1105.1. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil =10.90.
† Correction.

HIGHS AND LOWS

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10/85)	78.02 (22/1/85)	127.4 (9/1/35)	49.12 (3/1/75)
Fixed Int.	20.98 (21/10/85)	88.17 (28/1/85)	100.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1149.0 (5/1/86)	211.0 (5/12/85)	1142.0 (5/1/86)	42.4 (26/6/40)
Gold Mines	538.2 (15/4/85)	217.6 (5/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Jan. 17	Jan. 16
Daily		
Gilt Edged Bargains	138.7	162.5
Equities Bargains	167.1	144.1
Equities Value	1156.5	1021.0
5-day Average		
Gilt Edged Bargains	101.4	151.9
Equities Bargains	139.3	143.2
Equities Value	268.9	920.1

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	105	6
Corpns Dom and Foreign Bonds	5	36	41
Industrials	298	306	837
Financial and Props	60	165	345
Oils	15	36	72
Plantations	11	8	10
Mines	19	75	88
Others	96	47	78
Totals	495	840	1,474

YESTERDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List

Stock	No. of changes	Fri. close	Day's change
Cooper Inds	20	29½	+ 5½
Distillers	20	567	+15
Newley	19	114	+14
Barclays	17	468	+15
Cadbury Sch	17	155	+ 2
Metal Box	17	593	+27
Shell Trans	17	663	−17
Woolworth	17	460	−16
Extel	15	345	+16
Rugby Cement	15	150	+ 7
De Beers Dfd	14	424	−12
ICI	13	746	− 5

FRIDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Argyll Group	355	−15
Channel Tunnel Invs	153	+20
Distillers	562	− 5
Eurotherm Intl	317	− 2
GEC	168	− 2
Guinness	290	−13
Kennedy Brookes	237	+ 7
Micro Business	84	+15
Plessey	166	− 2
Prudential	772	−13
Shell Transport	660	− 3
Trafalgar House	320	−19

Based on bargains recorded in Stock Exchange Official List.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. e Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. r Indicated dividends: cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). * Units comprising 12 preference shares and one warrant, at £12 per unit. †† Units comprising two ordinary, one preference and one warrant.

NEW HIGHS AND LOWS FOR 1985/86

NEW HIGHS (47)

AMERICANS (3) Browning-Ferris, Chase Manhattan, Union Carbide. BANKS (2) Banco de Santander, Joseph (Leo). BEERS (2) Distillers, Irish Distillers. BUILDINGS (5) Cement-Roadstone, Hewden-Stuart, Redland (& Wts.), Rugby Portland Cement, Vibroplant. CHEMICALS (1) Akzo. STORES (1) Gaunt (Rowland). ENGINEERING (3) Downiebrae, McKechnie Bros., RHP. FOODS (2) Barr (A. G.), Meat Trade Suppliers. HOTELS (1) Kennedy Brookes. INDUSTRIALS (14) Astbury & Madeley, Bridport-Gundry, Cowan de Groot, Esselte AB, Hay (Norman), Martin (Ronald), Metsec, Nolton, Russell (A.), Stainless Metalcraft, Stocklake, Tech. Computer Inds., Tipbook, Waterford Glass. LEISURE (4) First Leisure, Leisuretime Intl., Piccadilly Radio NV, Saga Holidays, Zetters. MOTORS (2) Armstrong Equipment, Davis (Godfrey). PAPER (4) BPCC, Cradley Print, St Ives, Smurfit (Jefferson). TEXTILES (2) Dixon (David), Textured Jersey.

NEW LOWS (35)

BRITISH FUNDS (14) Exchqr. 14pc 1986, Tres. 10pc 2001, Conv. 9¾pc 2001, Treas. 9¾pc 2002, Treas. 10pc 2004, Conv. 9½pc 2005, Treas. 2½pc IL 2001, Treas. 2½pc IL 2003, Treas. 2pc IL 2006, Treas. 2½pc IL 2009, Treas. 2½pc IL 2011, Treas. 2½pc IL 2013, Treas. 2½pc IL 2016, Treas. 2½pc IL 2020. LOANS (5) Nationwide Bldg. Soc. 12½pc 9.6.86, Do. 12¾pc 30.6.86, Do. 11⁹⁄₁₆pc 21.7.86, Do. 11¼pc 17.11.86, Do. 11⁹⁄₁₆pc 15.12.86. AMERICANS (1) Louisiana Land. CHEMICALS (1) Coates Bros. A N-V. ELECTRICALS (1) Electronic Data. ENGINEERING (1) Hall (Matthew). LEISURE (2) SeaCo Inc., Viewplan. TEXTILES (1) Hicking Pentecost. TRUSTS (1) London Merchant Dfd. OILS (7) Bryam Oil & Gas, Carless Capel, Charterhall, Enterprise Oil, Hamilton Oil, Imp. Cont. Gas, Sapphire Petroleum. PLANTATIONS (1) Rowe Evans Inv.

TRADITIONAL OPTIONS

Money was giveo for the call of Newman Industries, Preswich, Mitchell Cotts, Phoenix Properties and Finance, Tricentrol, South-west Resources, STC, NSS Newsagents, Charterhall, Air Call, Apricot Computers, Vosper, Lonrho, Sears, Eglinton Oil and Gas, Vickers, Exco International, Vaal Reefs, William Boulton, Gestetner, Westland, Tozer Kemsley and Millbourn and Barrie Investments and Finance. Puts were taken out in Channel Tunnel and Tricentrol, while doubles were struck in North Kalgurli, Sears, Aquarius, Jonas Woodhead and Jacksons Exploration.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$320	3	35	46	46	—	—	$351.30
GOLD C	$340	165	16.00	71	28	20	37.50	"
GOLD C	$360	251	7	110	16	69	23.50 B	"
GOLD C	$380	64	2.90	109	10	62	16.20	"

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*546)	500	47	02	70	1	11	10
	550	3	25	68	10	48	47
	600	1	2	17	58	76	82
Cable & Wire (*576)	550	00	52	73	1½	15	20
	600	9	12	33	28	34	48
	650	0½	2	17	74	74	75
Cons. Gold (*477)	450	20	00	72	5	20	32
	500	2	22	40	30	60	55
	550	1	14	22	80		
Courtaulds (*193)	140	54	58	09	0½		
	150	34	38	42	0½		
	170	14	25	28	1		
	200	1	11	14	8		

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*436)	360	82	—	—	1	—	—
	390	52	62	--	2	5	—
	420	28	42	53	2	17	23
	460	2	20	30	30	35	40
Racal (*178)	140	42	40	54	2	5	6
	160	24	20	37	5	2	11
	180	2	10	24	14	12	20
	200	3	—	—	24	—	—

WORLD STOCK MARKETS

AUSTRIA

Jan. 20	Price Sch%	+ or −
Credit'nst'lt 22 *	2,330	+15
Goesser *	3,300	−150
Interunfall *	14,500	+400
Jungbunzlauer *	49,700	−300
Laenderbank *	2,100	.....
Perlmooser	723	+5
Steyr Daimler	178	+1
Veitscher Mag *	2,600	−510

BELGIUM/LUXEMBOURG

Jan. 20	Price Frs.	+ or −
B.B.L.	2,310	+10
Banq. Gen. Lux	2,600	.....
Banq. Int.A.Lux	2,850	.....
Bekaert	8,550	+100
Ciment CBR	2,830	+60
Cockerill	178	−8
Delhaize	8,700	.....
EBES	5,525	−35
Electrobel	11,050	+50
Fabrique Nat.	2,030	−20
GB Inno BM	4,870	+30
GBL (Brux)	3,350	.....
Generale Bank	4,480	+125
Gevaert	5,010	+10
Hoboken	5,900	−40
Intercom	3,000	−10
Kredietbank	10,600	+100
Pan Hldgs	2,255	.....
Petrofina	3,360	−15
Royale Belge	17,700	+200
Soc. Gen. Belge	2,145	+5
Sofina	8,050	−70
Solvay	6,215	+15
Stanwick Intl	1,052	.....
Tractional	4,950	.....
UCB	5,480	+10
Wagons Lits	4,320	+166

DENMARK

Jan. 20	Price Knr %	+ or −
Andelsbanken	371	−18
Baltica Skand	545	−20
Cop Handelsb'nk	282	−13
D. Sukkerfab	453	.....
Danske Bank	545	−17
De Danske Luft.	1,480	.....
East Asiatic	232	.....
Forenede Bryg.	830	.....
Forenede Damp.	215	−4
GNT Hld	668	−55
I.S.S.B.	575	.....
Jyske Bank	770	−20
Novo Inds	1,230	.....
Privatbanken	223	−14
Provinsbanken	420	−14
Smidth (F.L.) B	296	.....
Sophus Berend	835	.....
Superfos	255	−2

FRANCE

Jan. 20	Price Frs.	+ or −
Emprunt 4½% 1973	1,593	−89
Emprunt 7% 1973	7,758	−152
Accor	510	−8.8
Air Liquide	633	+1
BIC	317	−9
Bongrain	1,663	−155
Bouygues	1,050	+20
BSN Gervais	2,760	−50
CIT Alcatel	1,375	+1
Carrefour	3,135	−149
Club Mediter'n	489.5	−6.5
Cie Bancaire	895	−3
Cofimeg	332.2	+3.2
Damart	1,948	−27
Darty	2,240	−100
Dumez S.A.	1,195	−51
Eaux (Cie Gen)	211	.....
Elf-Aquitaine	206	−7.8
Essilor	2,800	+10
Gen.Occidentale	729	−3
Imetal	80.3	−4.2
Lafarge Coppee	745	−30
L'Oreal	2,838	−82
Legrand	2,688	+17
Maisons Phenix	173	+4
Matra S.A.	1,863	−22
Michelin B	1,753	+3
Midi (Cie)	4,320	.....
Moet-Hennessy	2,321	−28
Moulinex	70.4	−1.4
Nord Est	170.3	−0.4
Pernod Ricard	807	−29
Perrier	508	+1
Petroles Fra.	315	−10
Peugeot S.A.	570	−29
Printemps (Au)	436	+1
Radiotech	481	−7
Redoute	2,080	−30
Roussel-Uclaf	1,640	+85
Sefimeg	407	+2
Skis Rossignol	1,250	.....
Telemec Elect	2,730	−100
Thomson (CSF)	845	−20
Valeo	375.1	−8.9

GERMANY

Jan 20	Price Dm.	+ or −
AEG	295	−6
Allianz Vers	2,548	−52
BASF	279	−6
Bayer	291.5	−2.5
Bayer.Hypo	502	−20
Bayer-Verein	560	−29
BHF-Bank	573	−7
BMW	552.5	+2.5
Brown Boveri	270.5	−5.5
Commerzbank	358	−10
Cont'l. Gummi	215	−9.8
Daimler-Benz	1,413	−14
Degussa	496	+9
D'sche Babcock	238	.....
Deutsche Bank	882.5	−15.5
Dresdner Bank	467	−7.5
GHH	276.5	−3.5
Henkel	403.5	+5.5
Hochtief	767.5	−2.3
Hoechst	288.3	−3.8
Hoesch Werke	192	−6
Holzmann (P)	561	−2
Horten	220.8	−1.9
Hussel	470	.....
Karstadt	372	−3
Kaufhof	399.2	−0.8
KHD	578	−3
Kloeckner	111.3	−13.7
Linde	693	+8
Lufthansa	275	−15
MAN	250	−3
Mannesmann	303	−8.8
Mercedes Hld	1,273	−11
Metallgesell	415	+21.2
Muench Rueck	3,200	−50
Nixdorf	596	+3
Porsche	1,420	+3
Preussag	297	+3
Rhein West Elect	235	+4
Rosenthal	344	−13
Schering	642	−13
Siemens	817	+11.3
Thyssen	180.3	−5.5
Varta	330	+3
Veba	305	−1.3
V.E.W	148	+3
Verein-West	420	−4
Volkswagen	544.7	−5.5

ITALY

Jan. 20	Price Lira	+ or −
Banco Com'le	21,650	−650
Bastogi-IRBS	515	+23
Centrale	4,480	+130
C.I.R.	6,450	+20
Credito Italiano	3,490	+50
Fiat	5,401	−19
Generali Assicur.	83,080	−420
Italcementi	50,700	.....
La Rinascente	1,017	+18
Montedison	2,225	−36
Olivetti	10,000	−220
Pirelli Co	5,439	.....
Pirelli Spa	3,780	−20
Saipem	5,100	.....
Snia BPD	5,870	−80
Toro Assic	20,200	−290

NETHERLANDS

Jan. 20	Price Fls	+ or −
ACF Holding	310	.....
AEGON	117.2	−1.3
Ahold	64	−1.5
AKZO	164.5	+0.3
ABN	598	−3
AMEV	21	−1.3
AMRO	113	−1
Bredero Cert.	215	−3
Bos Kalis Westm.	16.3	+0.1
Buehrmann-Tet.	145	−4
Calland Hlgs.	29	−2.5
Dordtsche Pet'm	164.2	−0.3
Elsevier-NDU	183.7	−3.8
Fokker	83.7	−1
Gist Brocades	290	−4
Heineken	229.7	−9.3
Hoogovens	85.5	−1.7
Hunter Doug N/V	74.7	.....
Int Mueller	76.2	+1.2
KLM	39.9	−0.3
KNP	143.5	+2.5
Naarden	60.3	−1
Nat Ned Cert.	84	−2.3
Ned Mid Bank	238	−2
Nedlloyd	208.5	−5.4
Oce Grinten	458	.....
Ommeren (Van)	33.7	−1.9
Pakhoed	85	−1.8
Philips	68.7	+0.3
Robeco	85.6	−0.7
Rodamco	134	−0.7
Rolinco	74.9	−0.1
Rorento	47	.....
Royal Dutch	175.5	−0.2
Unilever	400.3	+0.3
VMF Stork	286	−1
VNU	310	−2
Wessanen	259	−0.5
West Utr.Bank	106.8	−1.7

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

NORWAY

Jan. 20	Price Kroner	+ or −
Bergens Bank	174	+1.5
Borregaard	466	+1
Christiania Bank	179	+2
DenNorske Cred.	180	+9
Elkem	102.5	−1.5
Kosmos	205	+3.5
Kvaerner	188	+1
Norsk Data	430	+1
Norsk Hydro	141.5	−3.5
Storebrand	278	−5

SPAIN

Jan. 20	Price Pta %	+ or −
Bco Bilbao	499	+9
Bco Central	417	+3
Bco Exterior	240	+5
Bco Hispano	210	+16
Bco Popular	550	−3
Bco Santander	484	+10
Bco Vizcaya	710	+8
Dragados	175	+4
Hidrola	90	+1.8
Iberduero	110	−0.2
Petroleos	208	+10
Telefonica	135.5	−0.5

SWEDEN

Jan. 20	Price Kronor	+ or −
AGA	184	−7
Alfa-Laval B	252	.....
ASEA (Free)	330	−3
Astra (Free)	505	−3
Atlas Copco	172	−5
Cardo (Free)	272	+4
Cellulosa	168	−2
Electrolux B	127	−8
Ericsson B	212	−11
Esselte	480	.....
Mo och Domsjo	125	−3
Pharmacia	170	−3
Saab Scania Free	540	−19
Sandvik	575	−25
Skandia	332	−13
Skan Enskilda	77	−3
SKF	298	−4
Sonneson	146	.....
Stora Kopparbrg	164	−3
Sven Handelsbn.	249	−6
Swedish Match	250	−6
Volvo B (Free)	355	−2

SWITZERLAND

Jan. 20	Price Frs.	+ or −
Adia Intl.	4,375	−200
Alusuisse	630	−10
Bank Leu	4,700	−50
Brown Boveri	1,775	−23
Ciba Geigy	4,030	−120
do. (Part Certs)	3,075	−105
Credit Suisse	3,700	−75
Elektrowatt	3,355	+25
Fischer (Geo.)	1,300	.....
Hoff-Roche PtCts	136,250	−2,250
Hoff-Roche 1/10	13,600	−300
Jacobs Suchard	7,360	−250
Jelmoli	3,660	+20
Landis & Gyr	2,345	−3
Nestle	8,750	−125
Oer-Buehrle	1,630	−20
Pirelli	411	−14
Sandoz (Br)	11,200	−150
Sandoz (Pt Cts)	1,830	−20
Schindler (PtCts)	810	.....
Sika	1,800	.....
Surveillance	6,390	+15
Swissair	1,800	−50
Swiss Bank	578	−10
Swiss Reinsce	15,600	−200
Swiss Volksbk.	2,630	−40
Union Bank	5,120	−100
Winterthur	5,150	−75
Zurich Ins.	6,100	−250

AUSTRALIA

Jan. 20	Price Aust $.	+ or −
ANZ Group	4.68	.....
Ampol Pet.	9.42	+0.02
Ashton	1.27	+0.01
Aust. Cons. Ind.	3.00	.....
Aust. Guarantee	2.5	.....
Aust. Nat. Ins.	3.1	−0.4
APM.	5.25	+0.08
Bell Group	7.12	−0.04
Bell Res.	3.0	.....
Bond Corp Hldgs	2.2	.....
Boral	3.35	.....
Bougainville	2.28	−0.08
Brambles Inds	4.55	+0.05
Bridge Oil	2.12	.....
B. H. Prop.	9.1	.....
CRA	3.88	−0.08
CSR	5.05	.....
Claremont Pet	1.2	−0.04
Coles (G.J.)	4.50	.....
Comalco "A"	2.07	−0.03
Consolidated Pet	0.22	.....
Costain Aust.	2.1	−0.1
Elders IXL	5.12	.....
Energ Res	1.77	+0.05

AUSTRALIA (continued)

Jan. 20	Price Aust.$	+ or −
Gen. Prop. Trust	2.3	+0.02
Hardie (James)	3.48	.....
Hartogen Energy	1.95	−0.05
Herald W'yTimes	5.22	+0.06
ICI Aust	2.3	−0.05
Jimberlana F.P.	5.23	.....
Kia Ora Gold	0.19	−0.01
Kidston Gold	6.4	+0.35
Lend Lease	5.5	+0.06
MIM	3.19	.....
Mayne Nickless	3.36	+0.01
Myer Emporium	3.5	.....
Nat. Aust. Bank	4.78	+0.03
News	9.3	−0.08
Nicholas Kiwi	2.8	+0.05
Noranda P'c(P)pd	0.78	+0.03
North Bkn Hill	2.8	+0.02
Oakbridge	1.35	−0.03
Pacific Dunlop	2.33	.....
Pancontinental	1.95	−0.05
Pioneer Conc.	2.7	.....
Poseidon	3.05	−0.15
Queensland Coal	1.49	−0.02
Reckitt & Colman	3.6	+0.06
Repco	1.5	.....
Santos	3.26	+0.04
Smith (Howard)	4.75	−0.05
Thos. Nationwide	2.79	+0.05
Tooth	5.3	−0.1
Vamgas	2.95	−0.05
Western Mining	3.72	−0.1
Westpac Bank	4.5	+0.03
Woodside Petrol	1.19	+0.06
Woolworths	3.43	.....
Wormald Intl	3.55	−0.05

HONG KONG

Jan. 20	Price H.K.$	+ or −
Bank East Asia	25.8	+0.1
Cheung Kong	20.7	−0.3
China Light	12.6	−0.1
Evergo	0.37	.....
Hang Seng Bank	48.0	−0.25
Henderson Land	2.02	−0.05
HK China Gas	14.1	−0.2
HK Electric	8.73	−0.1
HK Kowloon Wh.	7.4	−0.1
HK Land	6.7	−0.1
HK Shanghai BK.	6.05	−0.1
HK Telephone	10.9	−0.4
Hutchison Wpa	27.3	−0.3
Intnl. City	0.87	.....
Jardine Math	14.6	+2.3
New World Dev.	6.65	−0.9
Orient O'seas	1.99	.....
SHK Props	12.3	−0.1
Shell Elect	0.99	.....
Swire Pac A	30	−1.25
TV-B	5.13	−0.05
World Int. Hldgs.	2.55	−0.12

JAPAN

Jan. 20	Price Yen	+ or −
Ajinomoto	1,170	−10
All Nippon Air	750	−13
Alps Electric	1,840	+10
Asahi Chem	786	−2
Asahi Glass	890	.....
Bank Tokyo	725	.....
Bridgestone	512	+2
Brother Inds.	565	−3
Canon	1,130	.....
Casio Comp	1,780	−10
Chugai Pharm.	936	−4
Daiei	853	+1
Dai-Ichi Kan. Bk.	1,500	−10
Dai Nippon Ink.	310	+2
Dai Nippon Ptg	1,300	−20
Daiwa House	890	+1
Daiwa Sec.	740	+3
Eisai	1,340	.....
Fanuc	7,250	−25
Fuji Bank	1,560	.....
Fuji Film	1,980	.....
Fujisawa	891	+1
Fujitsu	1,030	−20
F'urukawa Elect.	332	−1
Green Cross	2,050	.....
Heiwa Real Est.	815	−4
Hitachi	750	−8
Hitachi Credit	1,150	−20
Honda	1,260	.....
Indl. Bk. Japan	1,050	−20
Ishikawajima Hr.	132	−3
Isuzu Motors	346	−7
Itoh (C)	425	−7
Ito. Yokado	3,080	+10
JAL	9,500	+70
Jusco	1,040	+20
Kajima	463	−2
Kao Soap	992	−8
Kawasaki Steel	157	.....
Kirin	751	−2
Kobe Steel	178	−2
Komatsu	499	−8
Konishiroku	379	−11
Kubota	356	+10
Kumagai	756	+4
Kyocera	4,420	−30
Marubeni	379	−5
Marui	1,670	−10
Mazda Motors	396	−3
Meiji Seika	542	+4
MEI	1,290	.....
M'bishi Bank	1,460	.....
M'bishi Chem.	315	−2
M'bishi Corp	893	−1
M'bishi Elect.	342	+1
M'bishi Estate	1,110	−30

JAPAN (continued)

Jan. 20	Price Yen	+ or −
MHI	359	−14
Mitsui Bank	1020	+20
Mitsui	411	−5
Mitsui Estate	1,030	−20
Mitsui Toatsu	913	−2
Mitsukoshi	603	−7
NGK Insulators	886	−1
Nikko Sec.	685	.....
Nippon Denso	1,380	.....
Nippon Elect	1,300	.....
Nippon Express	580	−5
Nippon Gakki	1,600	−15
Nippon Kogaku	1,020	−10
Nippon Kokan	139	−2
Nippon Oil	810	−3
Nippon Seiko	514	−15
Nippon Shimpan	785	.....
Nippon Steel	137	.....
Nippon Suisan	540	.....
Nippon Yusen	305	+1
Nissan Motor	580	−2
Nisshin Flour	490	−1
Nomura	1,020	−10
Olympus	995	+5
Onoda Cement	330	+1
Orient Finance	915	−5
Orient Leasing	9,640	+80
Pioneer	1,850	+70
Ricoh	1,060	−30
Sankyo	1,060	−20
Sanwa Bank	1,550	.....
Sanyo Elect	321	−11
Sapporo	558	−4
Sekisui Prefab	820	+2
Seven-Eleven	2,650	+50
Sharp	953	−7
Shimizu Constn	348	+1
Shionogi	790	.....
Shiseido	1,380	+20
Showa Denko	212	−1
Sony	4,080	+15
S'tomo Bank	1,600	−10
S'tomo Chem	232	−2
S'tomo Corp.	768	−9
S'tomo Elect.	876	−3
S'tomo Metal	138	.....
Taisei Corp.	515	+2
Taisho Marine	506	.....
Taiyo Kobe Bank	700	.....
Takeda	989	+1
TDK	4,150	−10
Teijin	474	+1
Tok. Henryo	1,110	−10
Tokai Bank	960	−10
Tokio Marine	856	+1
Tokyo Elect Pwr	2,730	−50
Tokyo Gas	282	−3
Tokyu Corp.	673	−3
Toppan Print	985	.....
Toray	507	−1
Toshiba Elect	357	−1
Toyo Seikan	1,740	+10
Toyota Motor	1,256	.....
UBE Inds	204	+1
Victor	9,100	+110
Yamaha	665	−4
Yamaichi Sec	394	+4
Y'manouchi Phm	3,040	−40
Yamazaki	827	−7
Yasuda Fire	504	+2

SINGAPORE

Jan. 20	Price $	+ or −
Boustead Hldgs.	1.08	−0.07
Cold Storage	2.22	−0.15
DBS	4.74	−0.16
Genting	4.18	−0.14
Haw Par. Bros.	1.71	−0.04
Hong Leong Fin.	2.40	.....
Inchcape Bhd	1.61	−0.02
Keppel Shipyard	0.86	−0.04
Malay Banking	4.28	−0.12
Malay Utd. Ind.	1.34	−0.07
Multi Purpose	0.49	−0.02
OCBC	3.80	−0.3
OUB	2.38	−0.16
Public Bank	1.02	−0.04
Sime Darby	1.41	−0.04
Singapore Press	5.60	−0.15
Straits Trdg.	2.03	−0.07
Tat Lee Bk	2.00	−0.1
UOB	3.18	−0.16

SOUTH AFRICA

Jan. 20	Price Rand	+ or −
Abercom	2.40	+0.05
AE&CI	9.30	.....
Allied Tech	54.75	−0.25
Anglo Am. Coal	56	.....
Anglo Am. Corp.	41.75	−0.75
Anglo Am. Gold	235	−3
Barclays Bank	21.75	+0.3
Barlow Rand	14.3	−0.2
Buffels	84	−1.3
CNA Gallo	2.3	+0.05
Currie Finance	4.85	+0.15
De Beers	17.90	−0.25
Driefontein	64	−0.3
FS Geduld	37.25	−1.75
Gold Fields S.A.	41	−1.5
Highveld Steel	6.00	+0.15
Nedbank	8.8	.....
OK Bazaars	13.50	.....
Protea Hldgs.	2.6	+0.1
Rembrandt	52.0	.....
Rust Plat	27.25	−0.35
Saiiren	15	+0.25
Sage Hldgs.	9.7	.....
SA Brews	6.55	.....
Smith (CG)	93.50	.....
Tongaat Huletts	8.4	.....
Unisec	6.5	.....

CANADA

TORONTO

Prices at 2.30pm
January 20

[illegible]

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

MONTREAL Portfolio

[illegible]

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD: [illegible]

**Saturday January 18: Japan Nikkei 13,006.78. TSE 1,033.45.

[illegible]

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 39

[illegible]

NYSE COMPOSITE PRICES

Continued from Page 39

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
Armstrong Equip	80½	+5	Tr 11¾% 1991	£99¾	−¾
Chan Tun Invs.	153	+20	Ex 12% 2013–17	£113⅝	−1⅛
Costain	476	+4	Tr 2½% IL 2020	£86¼	−⅜
Dixon (David)	298	+14	Argyll Group	355	−15
First Leisure	428	+10	Barclays	458	−10
Ho. Count News	111	+13	Barrat Dev	120	−6
Kenn Brook	237	+7	Burton	500	−12
Mann & Co.	212	+6	GUS A	737	−15
Micro Bus Sys	84	+15	Guinness	290	−13
Smith (David S.)	150	+7	Low (Wm.)	530	−23
Wedgwood	282	+7	Metal Clos	130	−10
Yorkshire Chem	73	+6	Traf House	320	−19
			Unigroup	79	−7
			Westland	93	−5

Prices at 3pm, January 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38	10	AAR	.56	2.1	17	100	27½	27	27⅛	−⅛
24⅝	10¼	AGS			17	113	21¾	21	21¼	−½
15⅝	9⅞	AMCA				20	11	10⅞	11	+¼
50¾	34	AMR			7	5351	44¼	43⅝	44⅛	−⅞
24¾	18⅝	AMR pf2.18		9.8		7	23⅝	23½	23½	+⅛
25⅞	23¼	ANR pf 2.67		11.		2	24½	24½	24½	−⅛
22	16	ANR pf 2.12		10.		4	20⅝	20⅝	20⅝	+¼
11¾	7⅝	APL			5	65	10⅝	10⅝	10⅝	
16¾	10⅝	ARX			18	129	14⅛	13¾	14	−¼
55⅝	32¾	ASA	2a	5.2		516	39⅞	38⅝	38⅝	−1
27	10½	AVX		2.2		45	14¾	14½	14¾	
28⅛	20⅝	AZP	2.72	10.	6	961	27	26⅞	27	+⅛
72	43¾	AbtLab 1.48		2.1	17	1660	66⅝	66	66⅝	+⅛
28⅝	18⅝	AccoWld .50		1.8	20	90	28¼	27⅞	27⅞	−⅜
24¾	18	AcmeC .40		2.9	20	65	14⅛	13⅝	13⅞	−¼
10½	7	AcmeE .32b		3.8	13	17	8½	8⅜	8½	+⅛
19¾	16	AdaEx 1.90e		10.		52	18⅝	18⅛	18¼	−⅛
22¾	14	AdmMl .40		1.9	9	26	21¾	21½	21½	−½
18⅝	6¾	AdvSys .36t		6.6	15	195	17	17	17	−⅛
36⅝	22⅛	AMD				1947	28⅞	28⅝	28⅞	−⅛
12½	10⅝	Adobe n				143	12½	12¼	12⅜	
18⅝	14⅝	Adob pf 2.40		14.		55	17⅝	17⅝	17⅝	−⅛
18½	15¼	Adob pf 1.84		16.		16	16	17⅞	16	−⅛
14⅝	8⅝	Advest .12a		.9	19	124	13⅞	13½	13½	−⅛
55½	37	AetnLf 2.64		3.0	17	921	53½	52¾	52⅞	−½
57½	52½	AetL pf5.19e		9.6		4	54⅝	54⅛	54⅛	−¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50½	15¾	WCNA pf7.25		39.		6	18⅝	18⅛	18¼	
136¾	103	WPacl			11	12	136½	136½	136½	−⅛
15¾	6⅝	WstSL n .20		1.5	4	335	13⅝	13	13⅝	+⅜
15½	6⅞	WUnion				1931	12½	12¼	12½	
7¼	3⅛	WnU pfS				76	7¼	7⅛	7¼	+⅛
14¼	5¾	WnU pfE				42	13½	13¼	13¼	−¼
15⅛	6⅞	WUTI pfA				1	13¾	13¾	13¾	

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, January 20

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Subdued tone set by holiday

THE CLOSURE of the New York Federal Reserve and the Treasury bond markets for Martin Luther King Day subdued the market and stock prices weakened across the board, *writes Terry Byland in New York.*

Wall Street was discouraged by the absence of positive developments at the meeting of the G5 finance ministers, and also by the tone of IBM's profits statement.

At the close the Dow Jones industrial average was down 7.57 at 1,529.13.

Most of the fall came in the first half hour, and prices then drifted in unexciting trading.

In the absence of dealings in the Treasury bond market, Chicago quotations in bond futures eased ¾, with turnover slackening after the first half-hour. The statement from the G5 meeting left the futures market in a "consolidation phase," said Mr Michael Krone, analyst in options and futures at E. F. Hutton.

The lack of a co-ordinated move by the G5 ministers to lower rates, although a contradiction of last week's reports from Europe, was no surprise for New York.

The keynote to the session in the stock market came from IBM, which fell $2¾ to $148⅝, with most other technology stocks also unsettled by the reference from Mr John Akers, IBM's chief executive, to the absence of "convincing evidence" of growth in the North American economy.

Digital Equipment, second largest in the industry after IBM, gave up $2¼, the gain chalked up after it disclosed higher profits, to stand at $145⅝. Burroughs shed $1 to $60¼, and Honeywell $⅞ to $75⅝. Control Data added $¼ to $21¼ after saying it had sold the UK division of Comercial Credit, its finance subsidiary, to Compagnie Bancaire of France.

The results season in the steel industry was opened by Inland Steel, down $⅝ to $23⅜ on the results. Pfizer lost $⅝ to $49⅝, also after a trading statement.

Oils remained weak in reaction to the latest downturn in oil futures. Occidental, at $28⅝, shed $⅜, Exxon $½ to $51¾ and Mobil $⅝ to $29⅞.

Pharmaceuticals showed mixed changes. Merck edged up $⅛ to $137⅞, while Bristol-Myers shed $¼ to $62¼. Chemicals were dull, Monsanto easing $½ to $46⅞ and Du Pont $½ to $62¼. Union Carbide, at $75⅝, was unchanged in thin turnover as Wall Street assessed the outcome of the struggle for control of the company. W.R. Grace dipped by $1⅝ to $55⅝.

Singer Manufacturing gained $⅞ to $40⅝ following the announcement of results.

There was a spurt of trading in Eastern Air Line stock, which eased $⅛ to $5⅛, after the chairman of the National Mediation Board said the company's financial position was "perilous" as it approached deadlines for union agreement on wage concessions.

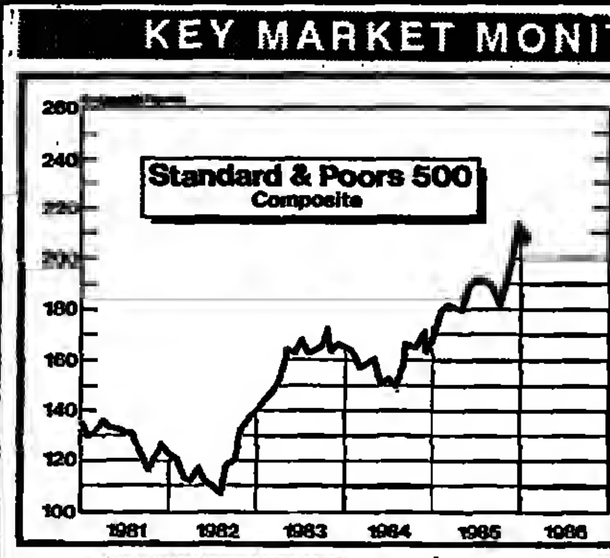
Other airlines were irregular. Northwest Air, at $46¼, put on $⅝ in renewed speculative buying, and among the domestic carriers Delta gained $⅛ to $41.

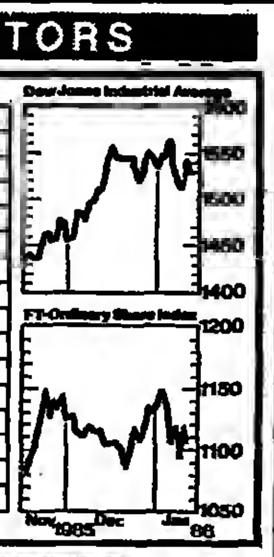
In the financial sector, the feature was Merrill Lynch, Wall Street's major retail brokerage firm, which bounded $1¼ to $39⅝ as renewed bid speculators turned over nearly 2m shares. Among those who have denied interest in bidding for Merrill are Chrysler, General Motors and IBM. Aetna Life declined comment a week ago when its name was quoted as a possible bidder.

BankAmerica eased $⅛ to $13¼ in nervous dealing as the market awaited the trading results, due this week. The dividend is a major source of worry for the market. Other bank stocks gave ground in sluggish turnover, Chase Manhattan easing $⅝ to $77⅞. Bankers Trust $⅝ to $73¼ and J. P. Morgan $⅛ to $63.

There was no trading in the federal bond market, and little attention was paid to scattered quotations of prices down three quarters of a point from Friday's close. Corporate and municipal bonds opened for business, and shaded lower in minimal turnover.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Jan 20	Previous	Year ago
DJ Industrials	1,525.57*	1,536.70	1,227.36
DJ Transport	713.56*	716.64	577.72
DJ Utilities	171.93*	172.75	147.57
S&P Composite	207.04*	208.43	171.32
LONDON			
FT Ord	1,106.1	1,118.7	1,003.9
FT-SE 100	1,378.3	1,396.0	1,277.9
FT-A All-share	669.93	676.38	616.65
FT-A 500	731.41	738.88	678.72
FT Gold mines	339.5	342.2	463.7
FT-A Long gilt	10.81	10.67	10.72
TOKYO			
Nikkei	12,952.05	13,008.70	11,910.06
Tokyo SE	1,030.30	1,034.26	932.65
AUSTRALIA			
All Ord.	1,065.8	1,066.7	746.4
Metals & Mins.	545.5	553.4	427.5
AUSTRIA			
Credit Aktien	125.53	126.22	58.26
BELGIUM			
Belgian SE	2,823.33	2,810.40	2,090.70
CANADA	Jan 20	Prev	Year ago
Toronto			
Metals & Minls	2,222.5*	2,259.7	1,991.8
Composite	2,848.1*	2,869.2	2,419.8
Montreal			
Portfolio	139.80*	140.97	121.70
DENMARK			
SE	n/a	219.69	163.09
FRANCE			
CAC Gen	273.6	276.5	190.1
Ind. Tendance	103.4	105.1	103.9
WEST GERMANY			
FAZ-Aktien	708.77	710.83	402.73
Commerzbank	2,139.3	2,149.7	1,167.9
HONG KONG			
Hang Seng	1,775.82	1,806.86	1,360.33
ITALY			
Banca Comm.	487.37	486.52	255.40
NETHERLANDS			
ANP-CBS Gen	263.5	265.2	190.4
ANP-CBS Ind	254.7	255.3	153.5
NORWAY			
Oslo SE	399.14	401.33	311.07
SINGAPORE			
Straits Times	296.18	614.35	771.01
SOUTH AFRICA			
JSE Golds	–	1,268.3	1,043.3
JSE Industrials	–	1,097.6	902.6
SPAIN			
Madrid SE	113.11	112.4	110.22
SWEDEN			
J & P	1,747.98	1,792.45	1,446.74
SWITZERLAND			
Swiss Bank Ind	592.1	603.0	406.4
WORLD	Jan 17	Prev	Year ago
MS Capital Int'l	255.8	256.4	189.9

COMMODITIES

(London)	Jan 20	Prev
Silver (spot fixing)	427.10p	430.75p
Copper (cash)	£1,007.50	£999.50
Coffee (Mar)	£2,452.50	£2,355.00
Oil (spot Arabian Light)	$25.55	$25.85

GOLD (per ounce)

	Jan 20	Prev
London	$351.625	$353.50
Zürich	$351.75	$353.50
Paris (fixing)	$354.45	$361.83
Luxembourg	$354.00	$357.30
New York (Feb)	$355.10	$358.00

CURRENCIES

(London)	US DOLLAR Jan 20	US DOLLAR Previous	STERLING Jan 20	STERLING Previous
$	–	–	1.4155	1.4375
DM	2.4710	2.4635	3.4975	3.5425
Yen	202.35	202.3	286.5	290.75
FFr	7.5725	7.5525	10.7175	10.855
SFr	2.097	2.09	2.9675	3.005
Guilder	n/a	2.773	3.9425	3.9875
Lira	n/a	1,678.5	2,383.25	2,413.0
BFr	n/a	50.3	71.4	72.3
C$	n/a	1.40125	1.98345	2.01465

INTEREST RATES

Euro-currencies (3-month offered rate)	Jan 20	Prev
£	13⅞	12¹⁵⁄₁₆
SFr	4⅞	4⅛
DM	4¹¹⁄₁₆	4¹¹⁄₁₆
FFr	12⅞	12⅛
FT London interbank fixing (offered rate)		
3-month US$	8⅛	8⅛
6-month US$	8⅛	8⅛
US Fed Funds	closed	7⅞
US 3-month CDs	closed	7.85
US 3-month T-bills	closed	7.34

US BONDS

Treasury		Jan 20* Price	Jan 20* Yield	Prev Price	Prev Yield
7⅞	1987	closed		99¹³⁄₃₂	8.189
8¾	1993	closed		98⅜₂	9.118
9⅞	1995	closed		101⅜₂	9.295
9⅞	2015	closed		104⅜₂	9.441

Treasury Index

Maturity (years)	Return index (Jan 17)	Day's change	Yield	Day's change
1–30	137.27	+0.11	8.92	−0.01
1–10	134.12	+0.07	8.67	−0.01
1– 3	129.11	+0.00	8.30	+0.01
3– 5	136.00	+0.07	8.82	−0.01
15–30	148.58	+0.25	9.77	−0.02

Source: Merrill Lynch

Corporate	Jan 20* Price	Jan 20* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100.75	10.15	100.75	10.15
3⅞ July 1990	86.87	7.40	86.87	7.40
8⅝ May 2000	89.872	10.10	89.872	10.10
Xerox				
10⅞ Mar 1993	104	9.825	104	9.825
Diamond Shamrock				
10⅜ May 1993	102	10.22	102	10.22
Federated Dept Stores				
10⅜ May 2013	100.634	10.55	100.634	10.55
Abbot Lab				
11.80 Feb 2013	107.782	10.90	107.782	10.90
Alcoa				
12¼ Dec 2012	107.041	11.40	107.041	11.40

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	83-00	83-02	82-15	83-23
US Treasury Bills (IMM) $1m points of 100%				
Mar	92.96	92.96	92.91	93.03
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.16	92.19	92.16	92.31
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	91.86	91.97	91.83	91.99
20-year Notional Gilt £50,000 32nds of 100%				
Mar	107-00	108-13	106-26	109-01

* Latest available figures

TOKYO

Frustration follows G5 meeting

INVESTORS in Tokyo, where share prices tumbled in extremely thin trading yesterday, were deeply disappointed that the Group of Five finance ministers and central bankers did not discuss a concerted reduction of interest rates, *writes Shigeo Nishiwaki of Jiji Press.*

Only a handful of stocks such as Victor Co of Japan and Wakachiku Construction gained ground, while others, particularly large-capital and biotechnology-related issues, drifted lower on small-lot selling.

The Nikkei average fell for the third successive session, finishing 54.73 down at 12,952.05. Turnover slowed from last Friday's 264m shares to 168m, the lowest since August 27 1959 (155m shares). Losers led gainers by 445 to 340 with 161 issues unchanged.

Securities houses' dealers and speculators, who had stayed in the market in the absence of institutional investors since the start of this year, also moved to the sidelines.

Large securities firms said they were waiting for Wall Street's response to the outcome of the Group of Five's meeting.

Victor Co drew strength from reports that it will boost monthly production of compact discs from the present 1m to 2.7m by July next year and that its ultra light video camera-recorders will reach the market this February. Topping the list of 10 most active stocks with 4.7m shares traded, the stock surged Y110 to Y2,100.

Tekken Construction gained Y13 to Y407 and Wakachiku Construction Y7 to Y676. Both benefited from speculation that they would move higher towards the end of this month. Investors who sold them short in July last year when the prices hit highs are required to buy shares to close their short positions by the end of this month.

Among blue-chips, Sony firmed Y10 to Y4,080, but Hitachi eased Y8 to Y750. Kokusai Electric lost popularity, dropping Y40 to Y2,220 on small-lot selling.

Large-capital and biotechnology issues lost ground. Tokyo Electric Power shed Y50 to Y2,730, Mitsubishi Heavy Industries Y14 to Y359 and Yamanouchi Pharmaceutical Y40 to Y3,040.

Bond prices plunged on heavy selling by brokers, with the yield on the benchmark 6.2 per cent government bond due in July 1995 soaring to 5.840 per cent from last Saturday's 5.7000 per cent.

Brokers were discouraged by the failure of the Group of Five finance ministers to discuss a joint interest rate reduction. They were also concerned that preliminary figures for US economic growth rate in the fourth quarter of last year, due to be published on January 22, would prove higher than the flash estimate of 3.2 per cent.

Moreover, bond futures prices for March, June and September deliveries dropped the daily permissible limit of Y1 from last Saturday.

SOUTH AFRICA

AN EASIER TREND was evident in Johannesburg, influenced by the mixed showing by gold shares as bullion remained at its lower levels.

Economists at some of the bigger banks reported that they expect interest rates to stabilise around their present levels and perhaps move lower in the year's second quarter.

In golds, President Brand closed R1.50 easier at R54.50 but Durban Deep firmed 50 cents to R28.75.

Rustenburg Platinum, which reported that sharply higher prices for platinum enabled it to boost first half profit by 76 per cent and raise its interim dividend by 50 per cent, shed 35 cents to R27.25.

CANADA

GOLDS and hydrocarbon-related issues led the downturn in Toronto although some leading industrials suffered sharp falls.

Gulf Canada traded C$⅛ lower to C$20½, while Imperial Oil Class A, which lost C$1⅝ on Friday amid forecasts of weaker crude oil prices, fell a further C$1⅛ to C$48.

Montreal mirrored Toronto's retreat.

EUROPE

Brussels shines amid the gloom

DISAPPOINTMENT over the failure of the G5 meeting was acutely felt on the European bourses yesterday as most centres moved lower although volume remained persistently thin.

The exception was **Brussels**. A determined attempt to extend Friday's gains was made with a selection of industrials issues in strong demand. The Belgian Stock Exchange index gained 12.93 to 2,823.33.

The best showing of the day was electrical engineering group ACEC, which sprinted BFr 52 higher to BFr 840 on the prospects of securing orders from the Channel Tunnel project agreed yesterday. Specialist cement group CBR also sparkled with a BFr 60 rise to BFr 2,850, while steel issue Hoboken was actively bought BFr 180 higher to BFr 5,900.

Travel and tourism group Wagons Lits managed a dazzling performance although unrelated to any Channel engineering projects. The group firmed a further BFr 165 to BFr 4,390 on continued speculation, strongly denied by Wagons Lits, that it may merge with Club Mediterranée of France.

Elsewhere, leading holding company GBL surrendered Friday's advance with a BFr 70 fall to BFr 2,350, while nonferrous metal group Vielle-Montagne suffered a BFr 150 decline to BFr 8,700.

Interest rate sensitive issues were particularly weak in the aftermath of the G5 failure. Ebes fell BFr 35 to BFr 3,625 and Intercom lost BFr 10 to BFr 3,000.

A sharply lower **Paris** suffered from the combined pressure of brisk institutional profit-taking, the G5 fall-out, and unease on Wall Street.

Foods, which had led the bourse rally in the last couple of weeks, were the focus of attention for the session. Bongrain was hammered FFr 155 lower to FFr 1,665, Carrefour lost FFr 149 to FFr 3,135 and Promedes was FFr 60 cheaper at FFr 1,101 at the close.

The falling bullion price also unnerved the mines sector with Penarroya FFr 4.60 down at FFr 65.90 and Imetal FFr 4.90 lower at FFr 80.50. Oils, unsettled by the slippage in world prices, saw Total-CFP marked down FFr 10 to FFr 315.

Building group Bouygues was buoyed by the Channel decision and firmed FFr 20 to FFr 1,030, but Dumez lost FFr 51 to FFr 1,125.

A mixed **Milan** offered the sight of Olivetti breaking new ground with a L220 rise to L10,000 for the first time while the company's preferred stock added L111 to L6,950.

Insurers were particularly active with Generali shedding L420 to L83,080 and Mediobanca losing L975 to L132,025. RAS weakened L450 to L166,050 ahead of its rights issue news.

Fiat was heavily traded throughout the session ahead of a board meeting outlining the group's 1985 performance. The car maker lost L19 to L6,401.

Banca Commerciale surrendered early gains to finish L650 lower at L21,650 on the heels of last week's capital increase.

A hesitant **Frankfurt** trimmed 10.4 off the Commerzbank index to 2,139.3 in thin trading.

Klöckner weakened DM 13.7 to DM 111.50 despite denials that it was considering a capital reduction.

Siemens continued to draw the crowds. An early run-up to DM 827 was curtailed by the close to show a DM 11.50 gain for the electrical group at DM 817.

Metallgesellschaft gained more ground with an impressive DM 21.90 sprint to DM 410, but off its high for the day, while Degussa firmed DM 9 to DM 498 despite the fall in the bullion price.

Among weak car makers, BMW held onto a DM 2.50 rise to DM 652.50 although VW shed DM 5.30 to DM 544.70 amid plans to increase its workforce for the current year. Daimler settled DM 14 cheaper at DM 1,413.

Bonds were easier in very thin trading, largely diluted by the closure of the US bond markets for the Martin Luther King holiday. Prices varied from gains of up to 15 basis points to losses of 30 basis points.

The Bundesbank bought DM 6.2m of paper after disposing of DM 15.7m worth on Friday.

The weakness in **Zurich** was attributed largely to softer insurers although leading international transport bluechip Swissair lost SFr 50 to SFr 1,800.

Amsterdam finished lower despite early attempts to rally while **Stockholm** was dulled by increasing pressure in the governing Social Democratic party for higher equity taxation despite last week's statement by the Prime Minister ruling out such an increase. **Madrid** firmed slightly.

SINGAPORE

OVERSEAS institutions sold heavily in Singapore yesterday and prices plummeted across the board.

The Straits Times industrial index dropped 18.17 to 596.18, putting it back at the three-year low set on December 23, 1985.

News broke late that the Pan-Electric affair had claimed another victim. Growth Industrial Holdings, a quoted holding company whose shares are currently suspended, is ceasing operations.

In industrials, Singapore Press, Cold Storage and Fraser and Neave all lost 15 cents to S$5.60, S$2.29 and S$5.55 respectively.

LONDON

Haunted by fears of higher rates

THE SPECTRE of dearer money returned to haunt London yesterday following the inconclusive outcome of the weekend G5 meeting, while the further fall in North Sea crude oil prices triggered an instant setback.

Commercial money market rates rose and sterling weakened in nervous foreign exchange markets despite unconfirmed reports of official intervention.

Gilts took a bashing under persistent domestic and US selling. The rout subsided but no attempt at recovery was made. Longs lost 1¾, while shorts were marked down a maximum of ⅝. Index-linked issues lost up to a point in places.

Leading equities took considerable punishment but there was a dearth of evidence suggesting any substantial divestment programme. The FT Ordinary index fell 12.6 to 1,118.7, while the FT-SE 100 dropped 17.7 to 1,378.3.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34-35.

AUSTRALIA

PROFIT-TAKING hit the resources and gold sectors in Sydney yesterday, pushing the market down and leaving stocks easier.

But while the *All Ordinaries* index shed 1.1 to 1,065.8 and the gold index a hefty 36.2 to 1,001.6, the All Industrials moved upwards against the trend to close at a record 1,562.6, up 2.1.

North Broken Hill, et the centre of a partial takeover hid from Ron Brierley's IEL, added 2 cents to A$2.80 on rumours that Western Mining Corporation may emerge as a white knight for the company.

IEL, which is bidding A$2.50 per share for North Broken Hill, fell 8 cents to A$7.32

HONG KONG

PROPERTY ISSUES weakened considerably in Hong Kong where a number of factors sent prices into a downward spiral.

The move was triggered by Singapore interests selling off stock and by renewed rumours of the death of China's leader Deng Xiaoping.

The Hang Seng market index dropped 31.04 to 1,775.82 on turnover only slightly higher than Friday's.

Cheung Kong fell 80 cents to HK$20.70, Hongkong and Kowloon Wharf 10 cents to HK$7.40, Hongkong Land 5 cents to HK$6.70 and New World Development 20 cents to HK$6.65.

SECTION III

FINANCIAL TIMES SURVEY

UNITED ARAB EMIRATES

An economic decline has provoked mounting questions about the drift of the Federation. It is also faced with the challenge of writing a new constitution for the union which many nationals want to see become stronger, and more representative.

Questions arise in post-boom era

By KATHLEEN EVANS

● A changing world: the ruling sheikhs of the UAE and members of the country's ultimate governing body, the Supreme Council, seen here against the background of new commercial buildings in Dubai. Some sheikhs are already handing over the reins of power to their sons.

ONE EVENING a few months ago, the local UAE television news announcer informed viewers that there was no local news that night, so he would proceed instead to read the list of duty chemists for the evening.

Even given the confines of government censorship, this small incident demonstrates the inherent stability of the United Arab Emirates. When visitors ask some nationals what they are most dissatisfied about in their government, the complaints are likely to be about the shortage of school buses, the inefficiencies of the education and health services, or the lack of opportunities for making the fortunes of just a decade ago: hardly the stuff of revolution or seething discontent.

Similarly, questions about the rights or wrongs of the sheikhly system will frequently be met with the response that the sheikhs are at least more manageable and less threatening to individual freedoms than the other examples of government to be seen in nearby Arab countries. No national is beaten in jail or imprisoned for his political views and, until now, the money has proved the great salve to any grumbles.

Even now that there is less money around, the system is still very much intact. Nevertheless, the level of frustration is growing and centres, in particular, around the decision-making vacuum at the top on both the small and longer term issues which face the country. To many, the country appears to be drifting, rudderless and indecisive. Moreover, some of the leading sheikhs are frequently absent from the country, while the others are only seen on television each night performing ceremonial duties at airports and in lavish receiving rooms.

Substantial issues facing the country rarely emerge in the media and the overall impression perhaps falsely so, is one of ideological and managerial stagnation. Western ambassadors go as far as to say that the sheikhly system is "in crisis" in the UAE. Government officials respond to the charge by pointing out that in the last 15 years, the country has achieved little short of a miracle in its development, but at the same time offer little idea of what the future should hold.

The trend of self-examination is being quickened by the issue of the constitution, which is due to expire at the end of this year. Until now, the Emirates has been governed by a temporary code drawn up in 1971 by expatriate advisors and the sheikhs.

Key issues

Many nationals are concerned that the sheikhs may opt out of the issues which the expiry raises and simply renew the temporary constitution. In this way, the issue of the federation, its financing and its strength—as well as the larger issue of democratisation of the country—can be avoided.

Certainly the impetus for more democracy is there. No-one is talking of overthrowing sheikhs but various forms of democratisation are being discussed among nationals, all of them providing recognition of the sheikhly system per se. Some nationals look to the Kuwait formula, with a male-only franchise, while others look only for a strengthening of the powers of the Federal National Council, the UAE's appointed parliament.

Leading sheikhs scoff at such suggestions, and say the "majlis" system of consultation will go on forever. Nevertheless, the fact that such ideas are being discussed would seem to indicate that the majlis system is not enough to satisfy the aspirations of those educated nationals who want to provide input into their government.

At present, the issue is not widely or too openly debated. Much of it has emerged though in the columns of the Sharjah-based newspaper Al Khaleej, which has in the last few months been conducting "polls" of readers' views. For the first time, nationals have been appearing in public on the record demanding the right to vote. Some of those interviewed even questioned the rights of the sheikhs to draw up a new constitution in the absence of a democratically elected assembly. Such views cannot be ignored if a schism is to be avoided between the ruling sheikhs and their people.

Much of this debate has emerged because of the economic problems the country is facing. Rumblings on the internal political front would be inevitable for any government which has had to endure a virtual halving in income in a three-year period.

Oil revenues have fallen from US$19.4bn in 1981 to $11.7bn in 1984. Much depends on the strategy the Opec states agree on to maintain their market share in the face of growing output from the non-Opec producers. The problem, however, is that the country's vulnerability to the fortunes of the oil market has made little impact on the expectations of its citizens.

Until the decline in oil demand occurred, the sheikhly system had always been able to be a fountainhead of generosity—and even wealth, in the days when the government was the source of all contracts and business. Today, many nationals look to the sheikhs for protection from the rigours of the recession and the wrath of banks attempting to clean up their loan portfolios. So far, the sheikhs have hesitated to point to a political scapegoat for their economic woes.

Cutbacks

Such blame-shifting is hardly likely to instil the confidence necessary to help the economy survive the deteriorating security situation in which it must function as a result of the war between Iran and Iraq. Austerity in public spending programmes is never popular in any country, but in the UAE questions are being asked why a nation which earns more than $22bn for a population of less than 1.4m people, finds such budget cutbacks necessary. However, in most of the sheikhdoms, income either from oil or local duties is still legally the income of the ruling family.

Another significant impact of the decline in oil income is the weakening effect this has had on the federal government. Among young nationals, this has caused concern, and, in the smaller emirates which were federal dependents, a sudden absence of new horizons. The ruling sheikhs at their recent supreme council meeting reaffirmed the principle of each emirate contributing to the budget, but until the smaller sheikhdoms have a visible source of income other than federal funds, such decisions mean little.

To a large section of UAE society, the answer to the budget cutbacks is a trimming of the foreign labour force. This

CONTINUED ON PAGE 2

IN THIS SURVEY

● Pictures by Terry Kirk

Sheikhs urged to revitalise federal government

Political scene

KATHLEEN EVANS

AT THE END of last year, the Supreme Council of Rulers, the UAE's ultimate governing body, met for the first time in 18 months. For weeks before-hand, expectations had been building up about the outcome, for the sheikhs were expected to plot the future political and financial course of the federation.

The event proved, however, to be an anti-climax. The Sheikhs met for only two hours, and issued a statement declaring that they would form a committee to study the report on the economy forwarded to the rulers by the Federal National Council.

The meeting also reaffirmed the obligation of the Emirates to contribute 50 per cent of their revenues to the federal budget — a decision which was agreed on several years ago by the rulers. Even so, it is still not clear whether this obligation applies, only to those Emirates blessed with oil, or all the Emirates. For most of the northern members of the federetion, income, other than from federal sources, is negligible.

The financing of the federal budget in the post-oil boom era is, in fact, proving an annual headache for the federation. The virtual halving in oil income in some of the states of the union has led to a withering of enthusiasm both for the federal concept and the cost of footing the federal bill. Each fiscal year is marked by internal wrangling about how the budget, and its deficit, is to be financed, and the result is that the budget is now published seven or even 10 months late a year.

The December meeting of the Supreme Council of rulers did make one decision, and that was formally to approve the 1985 budget — 16 days before the end of the year. The Financo Minister, Sheikh Hamdan bin Rashid, has promised that this year, the figures will be out by April, but such promises have been beard before.

One of the problems about the budget is that Abu Dhabi feels that it has had to absorb an unfair share of the oil production cuts required by Opec, while at the same time it is being called on to bear the lion's share of the federal budget. Dubai, for example, has contributed probably Dh 2bn to Dh 3bn out of a total budgeted expenditure of Dh 17bn, whilst Sharjah last year did not contribute a penny. Sharjah has, however, declared that in 1986 it will contribute 50 per cent of its revenues to the federal coffers.

Enthusiasm

Abu Dhabi, and its ruler Sheikh Zayed bin Sultan al Nahayan, have always shown the greatest enthusiasm about the federal concept. The Abu Dhabi ruler was seen by UAE nationals up and down the country as a man of great generosity and one prepared to spread his emirate's wealth around to other, less well-off emirates. Other rulers may have resented this but most welcomed the massive injections of funds into their own emirates which they saw as generally consolidating their own rule and helping to meet the expectations of their people.

Since independence the populations of the emirates have grown to regard themselves as nationals rather than subjects of individual rulers and their emirates. Loyalty to ruling sheikhs has not declined: on the contrary, most people have seen sheikhs as instruments for wielding their particular emirate's influence within the federal structure. There is also still a lot of hero worship around among the young citizens who tend to copy the personal styles of dress and appearance of the prominent sheikhs.

In Abu Dhabi which has endured the worst of the oil production cutbacks, ruling circles have shown disappointment at the apparent decline in enthusiasm for the federal structure and at what is seen as the failure of other emirates to pull their weight financially. Tha ill health suffered by the Dubai ruler and vice president, Sheikh Rashid bin Said al Maktoum, has further complicated the situation and deprived the federal structure of much of its driving force. Sheikh Rashid, although not committed totally to the federation in the early days, was later to demonstrate enthusiasm, frequently putting in a good eight hours or more a day on its behalf. His absence from the UAE political scene has cost the federation dearly.

The Dubai ruler's illness has catapulted his three sons into the front line of political decision-making. In Abu Dhabi, too, Sheikh Zayed has chosen to pass the reins of power gredually to his son and crown prince, Sheikh Khalifa bin Zayed. The president is now spending more and more time out of the country to provide his son with the elbow room he needs to make his political mark in Abu Dhabi.

Generous President: Abu Dhabi's ruler, Sheikh Zayed bin Sultan al Nahayan, President of the UAE, is seen as a man of great generosity, and prepared to spread his wealth to other less well-off emirates.

The net result of these political, financial and family changes over the last year has been a slow withering of ectivity by the federal government. Many believe that tha federal administration is completely demoralised, the ministries inactive and unable to continne the high profile role they once had in developing the country. In many ways, the job is over, for the infrastructure is virtually complete, but this begs the question, whether it was just the money which kept the federation together in the first place. Now that there is less money how committed are the emirates to the union?

The answer is, of course, totally. No ruler couio envisage withdrawing from the federation —such is their peoples' commitment to it. This does not stop the rulers from making minor administrative changes, establishing their own government departments, and generally protecting the interests of their emirate over those of another. Nevertheless, the growing weakness of the federal government has been criticized by many nationals.

A lot of this criticism is economic in origin and based on a wish to see a return to the good old days when federal money was plentiful. However in emirates such as Ras al Khaimah, Ajman and other northern emirates, the decline in spending has undoubtedly caused hardship. The practical results of this neglect are being experienced on a daily basis leading to severe water and power shortages in some sheikhdoms. Nor is the federal government tha source of employment it once was for UAE nationals, particularly for the citizens from the poorer emirates. The cuts in spending have even projected one ruler into court for default on debts taken on during the days when Abu Dhabi was perceived to be there always ready to pick up the tab.

UAE nationals bave tried many ways to express their concern over the problem faced by the federal government. The federal Netioual Council, the country's consultative assembly consisting of 40 members appointed by sheikhs, attempted last summer to outline some ideas to the cabinet to help rejunevate the economy, and e report was presented to President Sheikh Zayed.

Sadly, the report was not well received, and the Federal National Council was unable to hold joint consultations with the cabinet as promised. Many political observers believe this to be te reason why the council's current session has been delayed by order of the president.

Nationals and senior merchants have also attempted to put the message across. They have tried through petitions, the diwaniyas, chambers of commerce, and the executive emirate committees. Last June, the high popular daily Al Khaleej carried a petition signed by the associations representing teachers, writers lawyers, UAE women and even the local chess federstion. It called on the government to revitalise the federal government, grant greater legislative powers to the national assembly and allow elections.

Much of this anxiety is economic, for UAE nationals see a strong federation as the only way to protect their prosperity the banks, and social services. However, there is also mounting criticism about the lack of decision making by the various government structures.

Rigid system

Power in the federal government is carefully balanced between the emirates, the sheikhs and the commoners who were the first graduetes the country ever had. Since then, thousands of UAE netionals have emerged from foreign and local universities, and not all of them want to idle eway time. Some want to use their knowledge and commit themselves to public service. However, given the present rigidity of the system, UAE netionals cannot aspire to the higher echelons of decision making. Even under-secretaries are proving difficult to dislodge.

At the same time as such ambitions are being thwarted, the ruling sheikhs have in the last year appointed more sheikhs to the federal government than ever before. One of Sheikh Zayed's sones has just moved into the position of under-secretary at the foreign ministry—despite the fact thet he is only 23 yeers old. The post of planning minister has just been taken up by Sheikh Humiad bin Ahmed al Mualla, a sheikh from Umm al Quiwain whose only public service to date has been as a policeman in his own emirate.

Most nationals do no mind such developments and accept them as inevitable symptoms of sheikhly rule. However, some nationals feel that sheikhs with little experience in their field are being appointed above UAE nationals with good education and experience.

Concern over such trends is seeping down to the business community.

Many prominent merchants are worried, too, that they are operating in an economy with seeming little direction from the top, controlled by officiels who have few qualifications for the complicated task in froot of them. Until such time as the merchant community perceives that such a structure is io place, more money is likely to drift out of the country. A deteriorating security situation and lack of investment opportunities already ect as a deterrent.

Hence the interest which surrounded the meeting of the seven rulers last December. The decision-making process may qnicken this year, particularly now the Sharjah has agreed to contribute to the federal budget. Sharjah's ruler may believe that he will now be entitled to greater political weight in the union.

Another unknown is the future vice president and prime minister, Sheikh Maktom bin Rashid of Dubai. It is already rumoured that he will want to make his own cabinet changes. None of the important portfolios held by sheikhs are, however, likely to change.

Dispute over oil output levels

Oil and gas

MAGGIE FORD

WHEN THE UAE Oil Minister, Dr Mana Said al-Oteiba shocked the oil and currency markets late last year with his statement that official oil prices no longer applied, many oil industry observers wryly noted that indeed they did not, in Abu Dhabi at least.

As for production levels, the UAE had exceeded its quota set by the Organisation of Petroleum Exporting Countries (Opec) all year.

Dr Oteiba's remarks were subsequently vindicated by the December Opec conference's decision to defend its market share, whatever the effect on price. No doubt they reflected not only his view of world realities, but also of the position within his own country.

Over the past few years of declining Opec output, Abu Dhabi has been increasingly squeezed financially in its enforced role as UAE "swing" producer. With Dubai insisting on maintaining its output at about 350,000 barrels a day (b/d) and—the problem of differentials affecting its light crudes, Abu Dhabi had seen its production and income fall substantially in 1984.

Last year it came under strong pressure from its Japanese customsrs on price and something had to give. The emirate cleerly decided that maintaining market share was its priority.

Total UAE production was running at about 1.1m b/d at the end of the year against an official Opec qnota of 950,000 b/d. The quota, described as a "hall of mirrors" by one observer, is itself a matter of dispute, following a claim by Dr Oteiba that be had not agreed to a rednction lower than 1m b/d. Apart from Dubai's production and a contribution of 5,000 b/d from Sharjah the UAE's output is made up of 420,000 b/d from Abu Dhabi's onshore fields and 385,000 b/d from offshore.

The onshore level accords with the Government allowable figure, but offshore production is more than 200,000 b/d in excess of the official figure of 180,000 b/d set a year ago. A majority of the extra production comes from the controversial Upper Zakum field, which was so difficult to develop that costs were said to have risen to $6bn. It has therefore been seen as imperative to pump from this field et the optimum level.

Upper Zakum is said to be prodncing at a level of 100,000 b/d, but Abu Dhabi claims that this production is not included in its qnota as the field is still being tested. A further 85,000 b/d is being lifted from a number of smaller offshore fields.

The price set for the Upper Zakum test crude has beeo the subject of some speculation. Sold exclusively to Japanese customers, its price was reduced in June last year to $26.50 a barrel from $27.50 with 30-day credit terms. This reduction took place at the same time as new terms were agreed with third party customers.

Japan took a total of 684,000 b/d from the UAE, much of it et spot prices or below, in the months from April to September.

These new terms, a combination of discounts and longer credit periods, added up to a reduction of around 83 cents e barrel on the official prices of $28.15 a barrel for Murban crude, $22.10 for Lower Zakum and $28.05 for Umm al-Shaif.

The term customers had agreed in March to 1985 liftings of only 90,000 b/d, compared with the 1984 level of 123,000 b/d, following Abu Dhabi's refusal to make price concessions. Ths Abu Dhabi National Oil Company (Adnoc) did egree thsn, however, to a price reopener clause.

In February, Abu Dhabi adjusted tha margins of official prices which foreign companies with equity participetion were allowed. Margins allowed for the 40 per cent crude entitlement in the onshore (Adco) operation were set at $1.375 e barrel and at $1.625 a barrel for the offshore (Adma-Opco) participants.

Adnoc holds a 60 per cent share in both producing ventures, with the other 40 per cent in the onshore operation held by BP, Shell, Total-CFP, Mobil, Exxon and Partex. The foreign equity offshore is divided between BP, Total-CFP and the Japanese company Jodco.

A re-think now

The poor outlook for both production levels and revenue bas caused a rethink on oil industry development in Abu Dhabi in the past year. With e number of new oilfields either just coming onstream or due to do so in the next year, the emirate already has substantial shut-in capacity and decided last year to delay two recovery schemes worth about $40m. Adco postponed the schemes at the Sahil end Bab fields for several years.

Adnoc has made it clear that it sees no economic value in the proposed $450m Habshan to Fujeirah pipeline plan, so that if the idea is seen to be strategically worthwhile, financing will have to come from other sources. A petroleum coking plant and a hydrocracker extension also seem likely to be delayed.

The picture is less cautious in the other emirates, however, where rulers are keen to increase hydrocarbon resources. In Dubai, continuing offshore exploration on the edge of the South west Rashid field has prodnced e find with recoverable barrels of between 5m and 25m, but it is not yet known whether this is a separate structure.

Exploration is continuing in Ras al Khaimah, where the offshore Saleh field is currently producing 9,000 b/d of condensate. The first well to be drilled offshore Fujeiral was dne to be started late last year.

One more well has been drilled in the Saaja condensate field operated by Amoco in Sharjah, which is now producing 60,000 b/d of condensate and about 500m cubic feet per day (cfpd)) of associated gas, most of which is flared.

Following the resolution of a border dispnte with Dubai last year, agreement has been reached to sell 70m cfpd of gas to Dubai at e price of $1.25m BTUs. Deliveries of gas to the Emirates General Petroleum Company for distribution to the northern emirates are expected to double to 200m cfpd by this summer.

Sharjah is also building a liquid petroleum gas plant which is expected to be finished in May or June. This will allow cash-strapped Sharjah to strip the liquids from the gas and market them separately. This production, like that of condensate, is not included in Opec quotas.

Production of condensate et Dubai's Margham field operated by Arco/Britoil is reported to be proceeding on schedule at 25,000 b/d.

Concern that gas reinjected into the field at high pressure to conserve the resource has appeared in the wells is discounted by officials, who say that the only instance of a leak was in an immediately adjacent shut-in well.

Dubai is expected to eward another old fashioned concession agreement shortly and has been able to take some comfort in past months from Opec's decision to adopt a marketing strategy rather like its own. Dubai's free market approach has led traders to regard its crude as the marker of the Gulf.

Future investment strategy in the UAE is likely to concentrete on the search for more resources in Dubai and the northern emirates while Abu Dhabi will intensify its downstream activities.

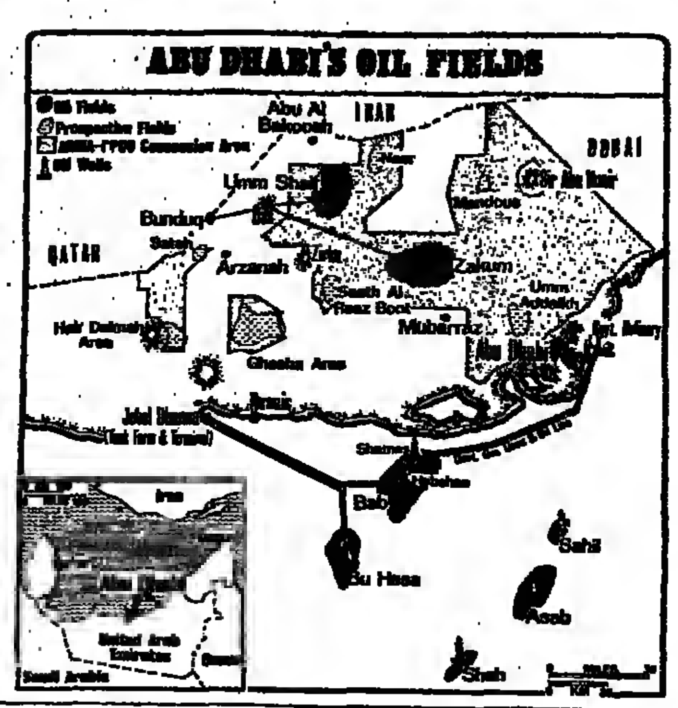
The emirate set up its International Petroleum Investment Corporation (Ipic) in 1984 with a paid-up capital of $200m to acquire oil and energy related activities overseas. It is a joint venture between Adnoc and the Abu Dhabi Investment Company (Adic) and is presently looking at two opportunities in the US and one in the Far East.

The US offers involve taking a stake in oil refineries and petrol stations at e cost of around $50m to $60m and the Far Eastern offer, from a Japanese company, involves an offshore refinery, according to Ipic's director, Mr Khalifah Mohammed al-Shamsi.

Investments in Europe are also being considered.

Vindicated: the remarks on oil prices by the UAE Oil Minister, Dr Mana Said al Oteiba, seen above with newsmen, were subsequently vindicated by the December Opec conference decision's to defnd its markt share, whatever the effect on price.

ABU DHABI'S OIL FIELDS



Questions in the post-oil boom era

CONTINUED FROM PREVIOUS PAGE

is already under way by natural market forces of the recession, but many still see the foreign community as the single greatest threat to their country and its culture. (The same people also grumble ebout the falling rents and general stagnation of the economy which has resulted from the cut in consumer demand which has followed the decline in the foreign population.) Many nationals want to see the sheikhs formulate a plan not only to stimulate the economy but to grapple finally with the issue of the population ratios.

These are the kind of issues which are the country's main talking points at present. Ironically, the bloody conflict just across the water between Iran and Iraq is not uppermost in peoples' minds, except the way that the war has affected the lucrative re-export trade from Dubai. Nevertheless, the recent arrest of a number of Iranian citizens in the northern emirates, and the recent escalation in Iraqi ettacks, make the Gulf war an unpredictable factor for the UAE.

The historic ties the country has with Iran have until now provided the state with a semblance of immunity, and lured the Emirates into e mood of security, which may prove false in the future. If Iraq chooses to take the conflict further down the Gulf to Iranian oil terminals on Sirri Island, the whole picture could change dramatically.

The UAE, like its Gulf Co-operation Council colleagues can only hope that internal changes in either Iran or Iraq will provide the necessary ingredients for a solution to the war, but until then, the whole region is vulnerable to a widening of the conflict.

Russia seeks new links

Foreign Affairs Defence

KATHLEEN EVANS

THREE MONTHS ago, the Emirates made the most significant foreign policy decision in its history — to establish diplomatic relations with the Soviet Union.

The move had been expected for some time, and it followed in the wake of a similar decision by the neighbouring Sultanate of Oman. But there are a number of differences in the motives for the move and the style in which it will be carried out.

Firstly, Oman took the decision to open relations with the Russians largely for reasons connected with South Yemen, which is the Soviet Union's main ally in the Southern Gulf.

The Sultanate has also indicated that it wishes to have a phasing-in period before a Russian embassy is allowed to be established in the Omani capital. That is not likely for some time, perhaps for years.

Abu Dhabi, in contrast, intends to set up its relations with the Soviets at a much brisker pace. The Russian Ambassador in Kuwait, Borgas Akapov has already visited the UAE capital, scouting around for suitable premises. Few observers expect it to be long before Russian diplomats arrive to take up residence in Abu Dhabi.

Abu Dhabi has itself explained the move as being designed to increase the number of friends it has in the world. In the context of the Middle East, such a move might seem also appropriate at a time when Jordan is still urging the Americans to support the idea of a superpower conference including the Russians, to tackle the Palestinian problem.

Indeed, there was speculation that it was Jordan which brokered the UAE and Oman deals in the first place.

Other observers suggest that the reasons may have been merely practical ones, for the UAE is currently a member of the UN Security Council, and it would have been inappropriate not to have diplomatic ties with a fellow member.

The move had been anticipated for some time, with numerous signals sent out to indicate how Abu Dhabi was thinking. The first-ever trade delegation from the local chamber of commerce in the capital set off on an official visit to Moscow, just weeks before the establishment of ties. Aeroflot had been flying into the country for some time, and trade relations were being given greater attention.

For the Russians, it represented a considerable coup for which they had long worked. Today, three of the six members of the Gulf Co-operation Council have full diplomatic relations with Moscow—the others, though, may prove more difficult to entice. The Bahrainis, for example, hastened to declare that they did not intend to quickly follow Abu Dhabi and Oman's example. The Saudis have re-stated that until there is a withdrawal by Russian troops from Afghanistan, they cannot entertain the idea.

US policies

Another influential factor has always been the moves of the US in the Middle East arena, and the recent tough line on Libya and, more importantly, its support given to the Israeli raid on Tunis has been well absorbed by US allies in the Gulf. The Tunis raid proved particularly difficult for them to understand. Nevertheless, the UAE, and its colleagues in the GCC are also well aware of the umbrella of US protection they enjoy in the Gulf in the face of possible Iranian attacks or attempts at subversion and terrorism.

The situation in the Gulf can only become more dangerous if Iraq chooses to take the conflict further south to Sirri Island, where Iran is presently exporting more than two-thirds of its oil.

Iraq already has the capability to attack, particularly with the new AS-30 missiles is has secured from the French.

An attack on Sirri Island would bring the war dramatically close to the UAE's doorstep, and highlight the overbearing Iranian presence on the island of Abu Musa, off the coast of Sharjah.

Just days after the declaration of independence by the UAE and the formation of the federation, the island was seized, together with two other smaller ones in the emirate of Ras al Khaimah. According to an agreement made with the late Shah, the Iranians were to control the northern half of Abu Musa and the UAE the southern tip.

In the last few years, that agreement has not been adhered to by the Iranians, for local reports suggest that the Iranian Revolutionary Guards stationed on the island routinely control entry and exit into the entire island. The Iranians also censor all newspapers.

The overall problem might seem a small one, given the size of Abu Musa, but it has proved a minor irritant to relations for the UAE with Tehran.

The dispute has also hindered the development of a nearby oil field discovered by an Australian oil company.

Senior officials from the Sharjah Government recently visited Tehran to negotiate the start of oil exploration off Abu Musa, but so far there has been no agreement announced.

This minor problem with the Islamic Republic highlights the frequent dual personality of its foreign policy. In the last few months, Tehran has been anxious to promote good relations with some of the Gulf states and the UAE has been a particular focus of attention, given the UAE's historic relationship with Iran.

This has been underlined on several occasions in the last few months by visits by senior Iranian envoys to the UAE.

Nevertheless, the UAE continues to be concerned about a possible retaliation on the Gulf states for the increasing attacks by Iraq on Kharg Island and other Iranian oil installations.

Western diplomats see a direct correlation between the number of attacks on Kharg and the number of ship seizures carried out by Iran on shipping bound for Gulf ports. Until now though, none of these attacks have been directed at shipping destined for ports in the UAE.

The historic links with Iran have lured the UAE into a sense of immunity from the impact of a widening of the Gulf war. Although controversial, the country's ties with Iran, particularly on the trade side, gained a measure of respectability following the last Gulf summit in Muscat. The six leaders of the Gulf decided that it was time to improve their relations with the Islamic Republic. Most observers saw the move as an attempt to demonstrate a more even-handed policy on the war as a way of avoiding possible attacks by Iran, both inside and out.

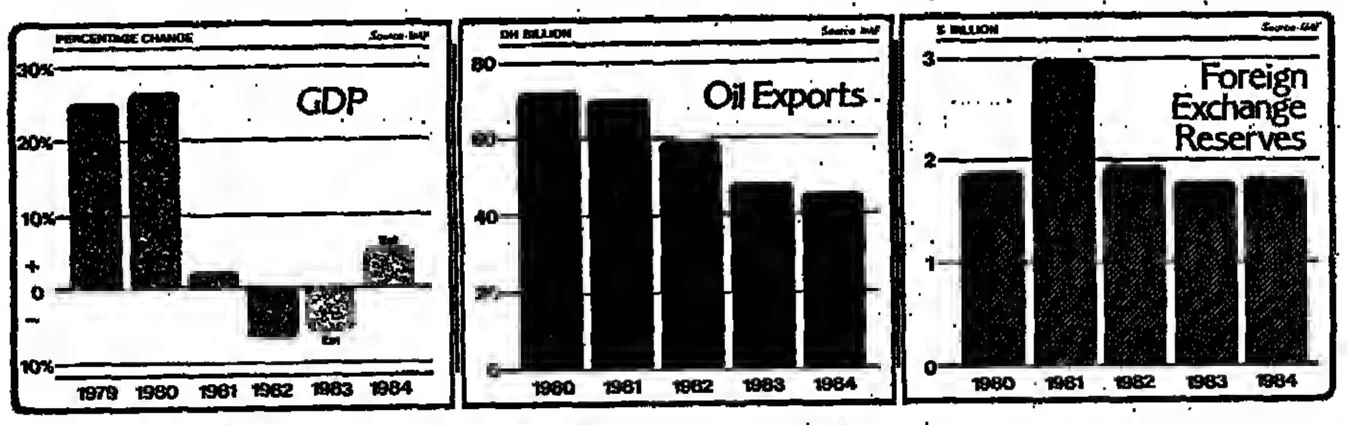
Until now, that gesture, although lauded by Tehran, has led to little else than passing references in Friday prayer speeches. The proposed visit by Omani foreign minister, Youssef al Alawi, in the name of the GCC, has yet to take place, and few expect it will, unless the Gulf states can show they are ready to distance themselves more from their support to the Iraqi war effort. This, they will be unwilling to do.

Iran's hopes

The mission therefore appears to have fizzled out, but nevertheless, it is quite clear that the Iranians wish to keep channels open to the Gulf — hence the numerous invitations being extended to the Saudi Arabians in recent weeks.

Closer to home, there have been some more alarming developments within the UAE concerning its links with Iran. A small group of Iranians, thought to number only five, have been discovered to be in possession of weapons and explosives, according to senior sheikhs in the country. The accused men are currently being held in jail in Sharjah and no charges have yet been made against them.

The precise objective of the group is still unknown, for all have said that they have no connection with any official Iranian entity. UAE officials say their investigation is not yet complete, but it is believed that the number of those under suspicion of links with the group now nears 40 people. Some Western diplomatic sources say that links have been established with the Iranian Revolutionary Guards although UAE officials deny this. However, the fact that the Iranians have not made the arrests public in their own country could indicate that the group was operating independently. Even so, concern must inevitably increase about the 70,000-strong Iranian community, which the UAE currently hosts.



An entirely different economy will emerge in the next decade.

Big change in outlook

The Economy

MAGGIE FORD

A COUNTRY with the highest per capita income in the world ($22,870), no foreign debt, a zero or negative rate of inflation, and a substantial surplus on its current account, would normally be expected to be full of happy citizens with good expectations.

Not so the United Arab Emirates, where during 10 years of oil boom wealth, happiness has been created only by excellent expectations. The task of lowering them has been pursued in this Gulf country probably more firmly than in any other in the region.

As the infrastructure deemed necessary by the rulers of the various emirates to signal their emergence as modern countries has neared completion, it has become clear that an entirely different economy will evolve over the next 10 years.

The vast sums of money spent on creating roads, oil and gas facilities, industries, apartment buildings, shopping complexes and hotels have generated substantial business, both at home and abroad. The thousands of immigrant workers who flocked to help in the construction and operation of the infrastructure created their own economy and their consumption generated further business.

Governments now face the problem, as new projects dwindle and surplus workers leave, of how to keep local people involved in a much smaller economy and indeed which parts of which sectors no longer have a reason to survive. So far they have approached their task with attitudes ranging from extreme caution to radical decision-making, and a consensus on the country's future as a national entity has not yet clearly emerged.

The UAE rulers have been helped in the task of educating expectations by the substantial changes in the world oil market. Oil and gas revenue fell to $27.9bn in 1984 and is expected to remain steady in 1985. The likelihood of a price war this year makes any improvement recede into the more distant future.

So difficult is it to sell the UAE's output capacity that Abu Dhabi has temporarily abandoned its exploration policy of trying to replace used resources, and instead looked for revenue earning opportunities in refined products and downstream activities abroad.

Only by producing over its Opec quota of 950,000 barrels a day (b/d) and cutting prices has the UAE been able to maintain income. It has nevertheless survived the recession far better than neighbouring Saudi Arabia for instance.

Lower revenues have been reflected in lower spending levels in the federal budget, which is theoretically funded by a contribution from the oil-producing emirates of Abu Dhabi and Sharjah of 50 per cent of their oil earnings.

The 1985 budget, published nine months late in October, showed the smallest planned deficit for three years, of Dh 3.64bn. It projected revenue at Dh 12.98bn and expenditure at Dh 16.63bn, compared with planned revenue for 1984 of Dh 12.9bn and planned spending of Dh 17.2bn.

The federal Government's strategy in curtailing spending has been to publish budgets very late in the year and to direct that departments should spend in the interim amounts of no more than one twelfth of the previous year's budget.

In this way actual deficits have rarely reached the planned level, but the approach has made business planning extremely difficult and provoked strong complaints in the merchant community.

Non-oil growth has remained at a level of about 2 per cent in the past two years and may be lower this year, reflecting the reduction in Government spending.

About 20 per cent of the UAE's earnings do not come from oil. Exports through Dubai, which has historic links with other Gulf countries, the Indian sub-continent and Africa from the days when it was an entrepot port, showed a 16 per cent increase in 1984 over the previous year.

UAE FEDERAL BUDGET (Dh bn)

	1985 Planned	1984 actual	1984 planned	1983 actual	1983 planned
Expenditure	16.63	15.1	17.2	16.3	18.4
development	—	0.7	1.3	1.3	1.7
current	—	13.6	15.1	14.4	16.0
Revenue	12.98	14.2	12.9	13.8	12.9
Deficit	3.64	0.9	4.4	2.5	5.5

Re-exports declined by 26 per cent in 1984 but had enjoyed spectacular growth of about 89 per cent in 1983. The trend was an increase in volume of both exports and re-exports last year, although lower prices will produce a decrease in value. No major improvements can be expected in this area until the war between Iran and Iraq is ended.

Arguments about the funding of the federal budget continue, focusing on issues as diverse as the payments for gas supplies to generate electricity to defence spending and even, reportedly, to the advisability of allowing public money to be spent on television programmes featuring dancing girls.

Sheikh Sultan, ruler of Sharjah is understood to have presented a proposal to the Rulers' Council in an effort to devise a formula acceptable to all. His plan is reported to have suggested a 20 per cent contribution of oil revenues, to be spent on education, social services, electricity and water and the maintenance of federal ministries and is believed to have suggested a Dh3bn annual ceiling on federal defence and police spending.

An additional idea that a Dh2bn loan should be raised to pay off all federal debts to local businessmen at once is not thought to have been received well, in Dubai at least.

The health of local businesses, particularly banks, has been a source of major concern to rulers of the two leading emirates over the past year. The severe recession after the boom years has left many businesses unable to pay their debts and many banks severely exposed.

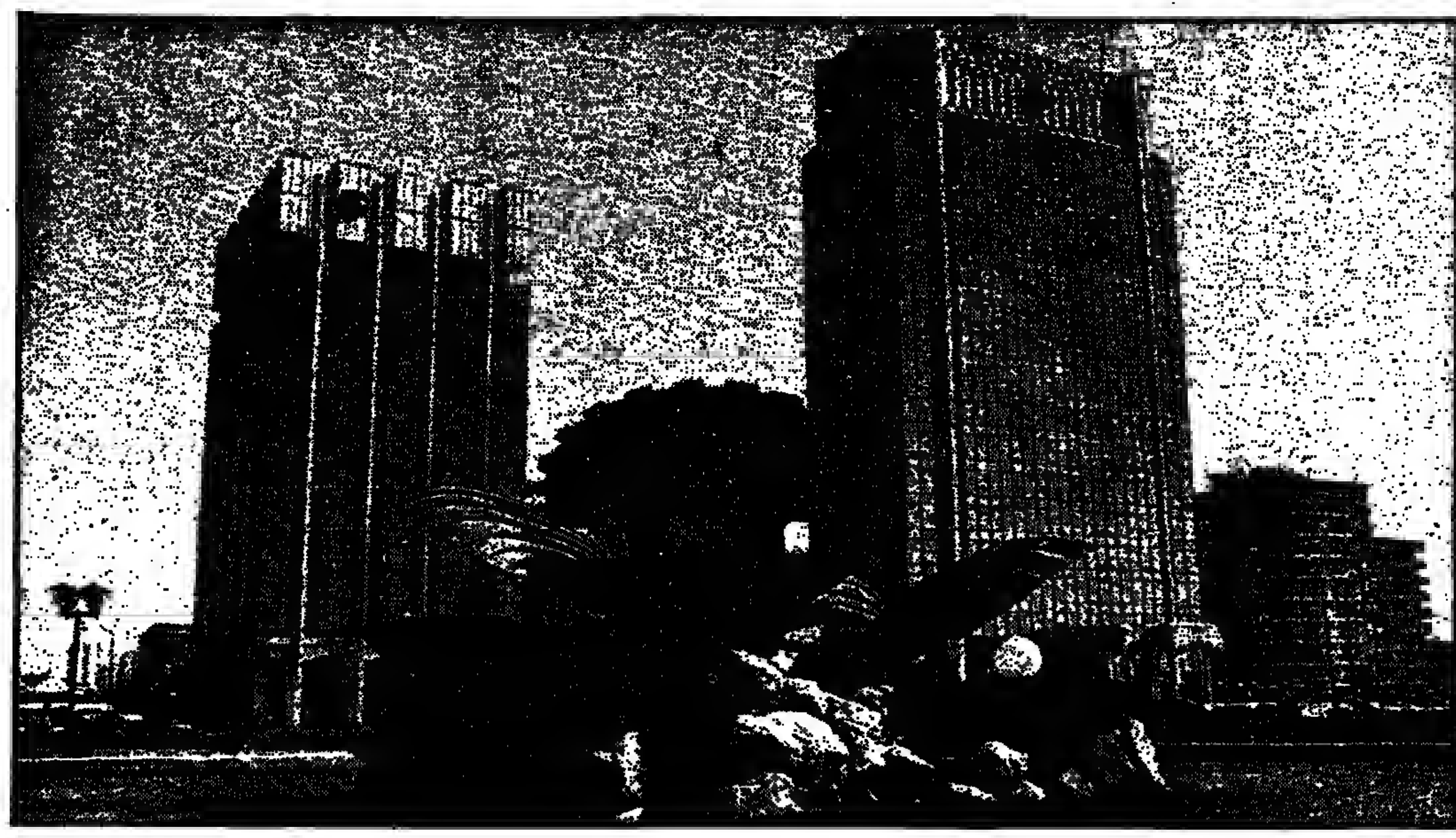
A substantial rationalisation of the banking system has been achieved in a short space of time, accompanied by a shift of control into the public (or ruling family) sector. Of Abu Dhabi's five banks, only three remain, and a further three mergers have been arranged in Dubai.

The shakeout in the banking system is thought by most observers to be almost completed, although a number of small candidates for mergers, or even perhaps liquidation if agreements cannot be made, remain. Banks have been forced by new central bank rules to make proper provision for bad debts, which has in some cases produced a substantial profit fall. This however, can often be seen as a healthy sign for the future.

The last few years have been an exceptionally difficult period for the UAE's rulers. With a federal structure that has had only 14 years to mature, a system of sheikhly rule that requires a high level of personal consultation by rulers to work properly, and a population which has gone from relative poverty to enormous wealth in one generation, the country is not easy to run.

Over the next year or two a new vision of the future is likely to unfold. For the coming generation, it is unlikely just to consist of finding ways to spend the money.

United Arab Emirates 4



● Pictured, far left: the Bank of Credit and Commerce International and the Arab Monetary Fund building on the Corniche at Abu Dhabi. The British contractors for both these buildings were Bernard Sunley.

● Right: building work continues on a new high-rise office block in Abu Dhabi. The development towers above a mosque in the city centre.

Cautious approach to planning

Abu Dhabi

MAGGIE FORD

DURING THE boom times only a few years ago, the skyline of Abu Dhabi was thickly forested with bundreds of cranes, as contractors rushed to spend some of the newly acquired oil wealth on building a new city in the desert.

The crane count is well down in Abn Dhabi now, but the preoccupation with buildings remains. For unlike Dubai, with its more diversified economy and historic trading background, alternative opportunities for generating business are not easy to find.

Oil revenoe fell from Db 46bn ($12bn) in 1982 to Db 35bn in 1984 and is still declining; the outlook remains poor. Development projects in the oil industry have been delayed and maintaining existing business bas become difficult because lower oil production has affected lucrative associated gas supplies sent for export.

Although the development of refined prodncts capacity ie continuing, with the Ruwais hydrocracker now onstream, future investment in this area is likely in the immediete future to be directed overseas, which will not produce much stimulation for the local economy.

A substantial number of well-paid jobs still exists in the oil industry, and this seems unlikely to change except that more Abu Dhabians are likely to be employed as they complete their education. Revenue, of course, is still more than adequate to meet a high level of social spending.

But for those who are not employed in the oil industry, investment in buildings and the rents gained from letting have been a key source of income. As oil earnings have fallen over the past five years, and infrastructure has been completed, so immigrant workers have departed.

Left: Sheikh Surour bin Mobammed al Nahayan, Chamberlain of the Presidential Court; and right, Sheikh Khalifa bin Zayed al Nahayan, Crown Prince and Deputy Ruler of Abu Dhabi.

Consumer demand, the other main indicator for businessmen, is well down along with occupancy levels.

The Abu Dhabi Government has adopted an extremely cautious—critics would say complacent — approach to planning its future, but in this aree the ruling family decided to act. With rents falling by as mnch as 50 per cent and many businessmen's debts to the banks collateralised by real estate, the problem was seen as sensitive.

To revitalise the sector the Government extended housing allowances to lower grades of public sector workers, thus boosting demand for flats, and financing terms were eased. The vast majority of Abu Dhabi bnildings were financed by Crown Prince Khalifa, who gave loans at ½ per cent interest repayable over seven years.

Under thesa terms, 20 per cent of rental revenue went to the investor and the rest to repay the loan. The Government is now taking 60 per cent of income, with 30 per cent to the investor and 10 per cent for maintenance to improve previously neglected property. Repayment periods have been extended.

Infrastructure

While these measures have clearly eased an immediate problem, businessmen complain that the Government has no long-term policy on the economy now that infrastructure is almost complete. Pointing to the delay in the Emirate's budget, still not published at the end of the year, they ask how businessmen can be expected to plan ahead if they have no idea what government spending is to be, or what projects are to go ahead.

Pointing to Abu Dhabi's lower oil income, government officials say that the private sector must edjust to sharing a smaller cake. Suggesting that mergers of some companies could help solve the problem of too mnch competition, they also feel that expectations from the boom years have still not been sufficiently lowered.

Citing "an infrastructure of people" as the main priority for Abu Dhabi development in the next decade, government planners feel that it will be a major challenge for local people to learn how to becoma productive people in an economically active society. The government appears to have had some success in training local people in finance and banking, especially through the Abu Dhebi Investment Authority, and more local people are becoming involved in the oil industry.

The lack of opportunities in government positions, however, attracts most criticism. Although some younger under-secretaries have been recently appointed, there is little evidence of any substantial new opportunities becoming available for talented, ednceted young people, for whom business no longer holds the attractions it had in the boom years.

One area which has benefited from a boost in spending is agriculture. Always keen on the greening of the desert, Sheikh Zayed, ruler of Abu Dhabi, has also alwaye been careful to look after the interests of the bedouin tribes in the hinterland. He has spent a substantial amount on the town of Al Ain in the west—providing a university, an airport, hotel developments, housing and irrigation.

Agriculture spending reached about Dh 500m for new works last year, with more to be spent on the problem of soil salinity. The aim of self sufficiency in food production bas had some success in poultry and vegetable production.

By the end of last year there were signs that the pleas for e more dynamic spproach to planning were being heeded by the Government. An initial boost will be provided by the pledge to devote $100m for refurbishment of roads, the eirport and hotels for the next Gulf Co-operation Council summit to be held in Abu Dhabi next November.

A $1bn plan to build a naval base moved a step forward with a shortlist of consultants being drawn up and there were stronger hopes that the large Taweelah power and water project would go ahead.

One of three bridge projects seemed a possibility for approval and there were even some observers in Abu Dhabi prepared not to discount the idea that a plan to build a pipelina from the emirate to Fujeirah, outside the Gulf, might get the go-ahead.

As one local manager put it: "Even so, tha cake is certainly getting smaller. What Abu Dhabi needs to do is to make sure it is shared out fairly."

● Above: The Ruler of Ajman, Sheikh Humaid bin Rashid al Nuaimi. The emirate will need an injection of federal funds if debts are ever to be rescheduled. The problem meanwhile presents a complex case for lawyers on both sides.

It has not been an easy year

Ajman

KATHLEEN EVANS

THE TINY, sleepy emirate of Ajman is an example of what can happen when the federal tap of generosity is turned off — or nearly so.

Located just minutes from the town of Sharjah, Ajman has no visible source of significant revennes other than those which come directly from the federal government into the ruler's account in the local bank. In recent years, assistance was given to the local municipality, but officials say that this, together with the overall subsidy, has shown a sharp decline in the last two years.

Then again, Ajman, being so tiny, is not a great spender, and most of the town's infrastructure appears complete. There is, however, severe water shortage problem, for a promised desalination plant from the federal government has never materialised following the austerity cuts. The water pressure is already down to a trickle say residents, and local officials believe that soon there could be days withont water.

Morevover, during the boom days when the federation and its backers appeared to be the ever lasting fountain of funds and beneficience, the ruler took on obligations from foreign banks, together with Britain'a Export Credits Guarantee Department, which now appear to be in default.

Banks' views on legal costs

This has presented an interesting legal case for lawyers on both sides, for althouch the loans were taken by the government of Ajman, that in effect means the ruler. Naturally as a ruler, Sheikh Humaid bin Rashid al Nuaimi could possibly enjoy immunity from prosecution both in the Emirates and Britain, under the laws of which the loan was arranged. Other banks involved in Ajman lending say that they have no intention of laying out any money on court costs, for the case is intricate and probably hopeless.

Ajman will need an injection of federal funds if the debts are ever to be rescheduled. Local officials say that even if the federal government were to pay just what it is committed to, the situation would become manageable. The Ajman government does have stakes in the few industrial plants around the emirate, but they are currently providing little return or income.

For the citizens also, it has not been an easy year, for the full brunt of the Souk al Manakh disaster has hit home. Many took shares in the Arab Livestock Company based in the emirate, and while many enjoyed the benefits of the share bonanza in 1982, only the Kuwaitis know where the money has gone now.

Industries face a double blow

Ras Al Khaimah

KATHLEEN EVANS

TWO BLOWS have fallen in the last 18 months on the emirate of Ras al Khaimah, both largely outside its control. One is the budget cutbacks initiated by the federal government; the other is the collapse of the Souk al Manakh stock exchange in Kuwait which has severely affected many of the emirate's industrial companies.

The problems of the federal government bave forced the local government of Ras al Khaimah, and its people to lower their horizons. In other, richer emirates this has caused merely a mild level of grumbling. In Ras al Khaimah, wbere many of the mountain tribesmen had yet to experience the henefits of the boom, the new austerity bas generated a sense of disillusionment after the bright optimism which marked the early days of the federation. Ras al Khaimah citizens are waiting for action from their ruler, the sbeiks in general and the federal government which will magically alleviate their current predicament.

Opinions in the emirate about just how severe the impact of federal spending cuts has been is divided. Local sheikhs say that very few earn less than Db 3,000 ($822) a month, which although liveable, is an income level far below seen in other emirates. Local financial sources say wage levels are freqnently much lower, and that many nationals are having a hard time making ends meet. Many are trying to borrow from banks to stay afloat.

The federal government is no longer the source of beneficence it used to be, either in terms of employment or improvement in local services. The local municipality has not received any assistance from the central government in two years. The publie bousing programme has come to a halt. Until this summer, the emirate suffered severe power shortages, at times eight bours a day in summer, though this situation has eased with the new supply of gas from Sharjah. The federal government has yet to provide an answer to the emirate's growing water problem and with the curtailment in capital spending, the prospect of a federally funded water plant seems remote at present.

Ras al Khaimah and its ruler, Sheikh Saqr bin Mohammed al Qassimi continue to bope that oil will provide the answer to reliance on central government. Local oil men say, however, that the offshore structure being drilled by Gulf Oil together with a number of other foreign companies is proving difficult to exploit. About $160m has been spent on exploring the field which has so far yielded 8,000 b/d after drilling reached 14,000 ft. The consortium is committed to another three wells.

The bunt for oil has forced the emirate into the Eurodollar market, and some $25m was raised in a club deal involving Hill Samuel, Citibank and a number of local banks. That loan has since been repaid, and receipts from oil heve generally been ploughed back into tha

Still hopeful: the Ruler of Ras al Khaimah, Sheikh Saqr bin Mohammed al Qassimi.

Ras al Khaimah National Oil Company. The government is still borrowing though from its local "national" bank. In short, oil revennes cannot yet be considered as a supplement to the local economy.

There is hope for the future though, not just in the Saleh field, but from the Omani gas field just across the border at Bukha. Until recently, e border dispute has hindered development, but relations between the two have now improved. In a project currently under consideration Omani gas will be piped to Ras al Khaimah port, and through the emirate's gas treetment facility. The liquids will be extracted there and piped back to Oman, leaving Ras al Khaimah with additional gas. The size of the Bukha field has not yet been established but there is optimism about the discovery.

All this is much in the future. The problem for Ras al Khaimah is how to get through the next couple of years until oil production, hopefully, increases. It is difficult to identify other significant sources of revenue for the emirate. Local industry, which could have plugged tha gap in revennes, bas cost the emirate dearly.

With tha decline in the Gulf construction market the emirate's three major cement producing plants are all losing money, largely because of undercutting by other emirates. Ras al Khaimah is the most prolific cement producer in tha country, producing 2.3m tons yearly, and was the first in the business. Two of the plants are majority owned by Kuwaitis, and given their losses, could face problems if the UAE's companies law which requires majority ownership by UAE nationals was enforced.

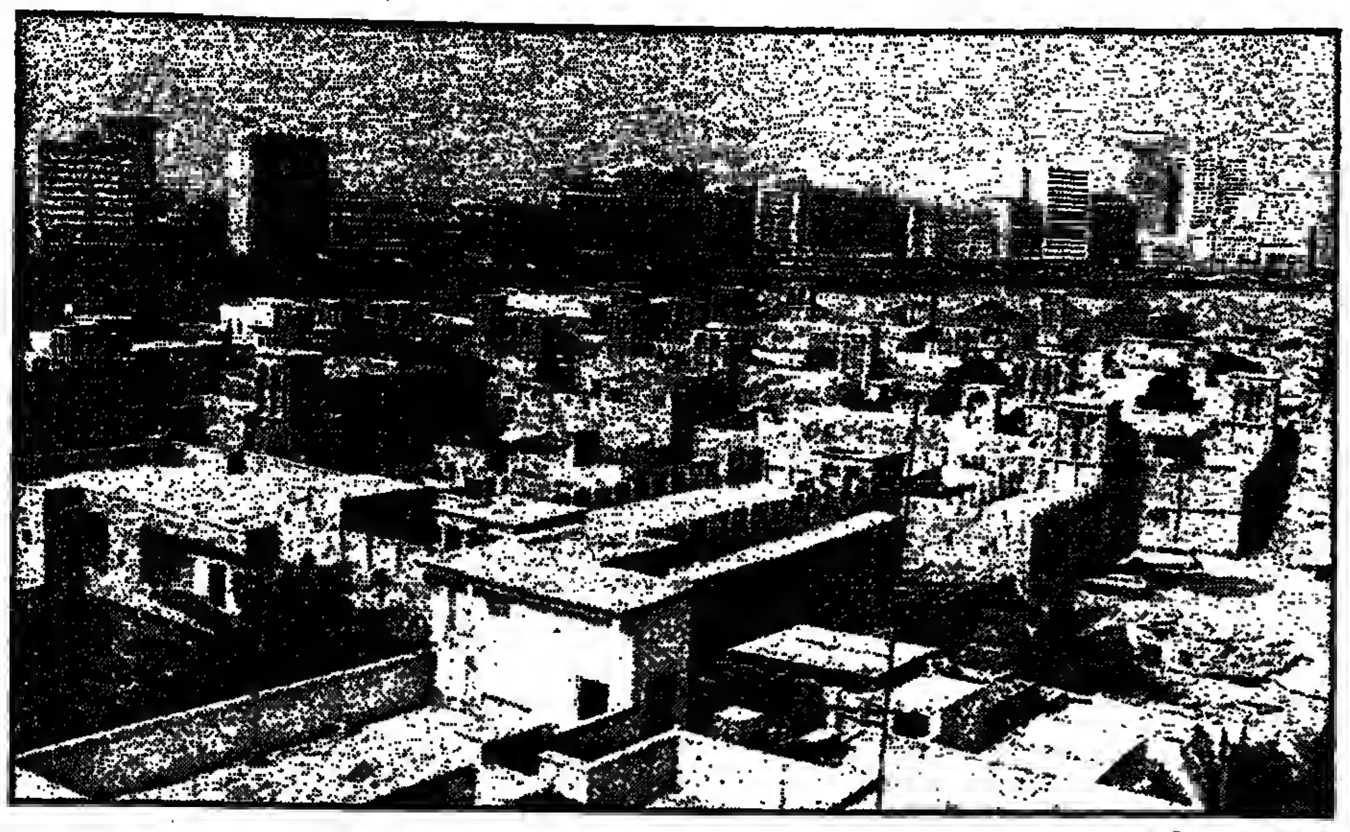
The other major industries in Ras al Khaimah have fallen victim to the Manakh disaster. Gulf Pharmacenticals is said to have Gulf shares on its books, and the Ras al Khaimah Klinker company is reported by local financial sources to have made heavy losses.

The future of these Manakh companies seems uncertain, et best. About the only company in Ras al Khaimah which is said to be making money for the government is the local aggregate concern.

The impact of this Manakh disaster could have internal repercussions. Many local citizens in Ras al Khaimah were encouraged to subscribe to the Gulf companies operating in the emirate. Today, tha value of those shares is unknown and could be worthless. Moreover, many local citizens were obliged to open bank accounts in the Bank of the Arab Coast in order to secure shares, and now this Ras al Khaimah registered bank is in default. Hence, the hank accounts of many Ras al Khaimah citizens are virtually frozen, and not surprisingly this caused anger. A delegation of Shihu tribesmen have already visited the ruler to remonstrate about their situation.

Ras al Khaimah officials say that the whole issue of the Bank of the Arab Coast is a federal one, for the Central Bank, not the emirate government, is responsible for supervising the activities of the country's banks. Moreover, Ras al Khaimah officials argue that most of the bank's bad loans were notched up in Dubai, and that Ras al Khaimah was the source of deposits.

If the bank is forced into liquidation (which is still a possibility) it will highlight the inability of the federal institution to act as lender of last resort. It could also cause difficulties in the emirate, given that a number of prominent Ras al Khaimah sheiks hold substantial shareholdings and are represented on the board. As such, a compromise must be struck between tha federal and local governments for the good of UAE nationals.



Picture: Terry Kirk

The old and the new: high rise commercial office blocks on the Deira bank of Dubai Creek contrast with the old buildings of the Bastakia district in the foreground

Succession issue resolved

Dubai

KATHLEEN EVANS

THE EMIRATE of Dubai is now much more settled than it was just 18 months ago. The burning question—who was to succeed the ailing ruler, Sheikh Rashid hin Said al Maktoum—is now no longer an issue: the third son of the ruler, Sheikh Mohammed bin Rashid has frequently proclaimed his acceptance of his eldest brother, Sheikh Maktoum as the next ruling sheikh of Dubai, and more importantly the country's next prime minister and vice president.

During that time, the triumvirate of the three leading sons has been seen to be working in tandem. Businessmen still praise the emirate's leadership for its quick decision-making and dynamic vision about the economic future of Dubai. In short, if any emirate is able to pull itself out of the current commercial gloom, Dubai is the most likely to succeed.

Nevertheless, Sheikh Maktoum, the future ruler, is still very much an unknown quantity. Dubai nationals will tell you that of all the sons, he is known to be the most generous, but apart from that very little is known about the sheikh's political ideas and economic management capabilities. Sheikh Rashid will be difficult to follow, hut there is a perception among the business community also that the emirate needs careful management now, not rash dynamism which can lead to ill considered decisions. Many in the community cite the formation of the emirate's new airline, Emirates Airlines, as an example of overhasty decision-making.

Financially, the town is much better off than its other fellow members of the federation. Income from oil is thought to be in the region of Dh 10bn to Dh 12bn, and expenditures locally amount to only Dh 4.4bn. The army and electricity costs are the two largest items on the budget, for infrastructure spending has dwindled to practically nothing compared with five years ago. The emirate's contribution to the federal budget is probably around Dh 2bn say informed sources, leaving the emirate in a healthy state of surplus.

Sheikh Rashid (left), will be difficult to follow. Meanwhile, the Crown Prince of Dubai, Sheikh Maktoum, the future ruler, "is still very much an unknown quantity," say observers.

A lot hinges on the success which the Jebel Ali freezone can achieve. Given the deteriorating security situation in the Gulf as regards shipping, and the present recession, this would not seem an appropriate time to launch a 7,500-acre freezone. There is also the argument to the contrary, that new ideas are the only thing that is going to keep Dubai out in front of the rest of the Gulf, and although the response to marketing exercise done by the freezone authority has heen lukewarm, the scheme will undoubtedly attract new businesses which would not have come otherwise. The Jebel Ali freezone authority is presently offering labour rates almost level with that of Bombay, electricity at 2 US cents a Kw hour, and a red-tape-free environment.

The traditional businesses of Dubai, industry and re-exporting have been knocked not only by the regional recession, but by downturn in international markets, too. Dubai's aluminium smelter is having to cope with a fall in metal prices from $1,950 a ton in 1980 to a level of around $950 a ton now. Despite its cheap supply of gas, the dividend for the Dubai government from the plant is still largely the water supply it provides for the town. New outlets have been found for Dubai's aluminium, with China and the US replacing nearer customers, but the future market profile of the plant will depend largely on how other international metal producers survive the fall in market prices.

On the business side, Dubai's merchants claim to be merely eking out an existence, not a living. In fact, after the frenzy of the boom, profit margins have become realistic rather than non-existent. Nevertheless, the emirate is witnessing more bankruptcies than ever before, and many foreigners are leaving, leaving nationals to pick up the pieces.

Many are watching closely how the government handles the impending liquidation, or alternatively, solves the problems of the Galadari brothers, once two of the town's prominent merchants. Tha international banks want to assume control of the company's management and decide which assets will be sold off to pay an estimated Dh 1bn debts, — moves which would set a precedent in Dubai, and in the Gulf. The alternative offered hy the Galadari brothers is believed to be a long term repayment schedule, part of which would not carry bank interest. This, too, would establish a precedent which many other nationals would like to follow. The outcome of this impasse, which is coming to a climax at present, is likely to affect how international banks view doing business in Dubai and the Emirates as a whole.

Such situations require the clear hand of management from the top, and in this, many merchants and nationals alike query why the emirate's leading sheikhs are frequently absent. Government officials say that with modern communications, such absences do not constitute an interruption in leadership and management. However, it is known that although the triumvirate works relatively well and that there is always one Maktoum sheikh in town, the hrothers do not like to impinge on each other in the areas of decision-making which have been worked out for each other.

The present ruler before his illness used to run Dubai in much the same way as the chairman of a large company, putting in long hours, and worrying about the small details as well as the larger picture. The present economic vulnerability of Dubai will need similar nurturing and careful attention if questions about the legal ownership of the oil income are to be avoided. At present, all the oil money Dubai earns is legally Maktoum family money.

New role among the emirates

Sharjah

KATHLEEN EVANS

LESS THAN 10 years ago tha only rola economists foresaw for Sharjah was as a dormitory for Dubai — a place where less prosperous expatriates opted to live for its cheapness.

Today tha emirata is well on its way to shuffling off its reputation as a federal dependent, and, blessed now with oil and gas revenues, it is exerting a growing economic role in the whole country. Already five of the six emirates are dependent on its gas to fuel their own power stations.

This year will also mark the first time that Sharjah has publicly committed itself to contributing its share of the federal hudget. At present, it is not clear whether the emirate is obliged to contribute 50 per cent of all its revenues, or only 50 per cent of its oil income, for this has yet to be spelt out definitively by the Supreme Council. Neither it is clear whether Sharjah, for purposes of calculating its contribution, will include its condensate revenues, or merely the money from its meagre production from the offshore Mubarak field.

The legacy of the costly boom still lingers in the Sharjah economy, and finance officials in the emirate say that about 50 per cent of current income of $450m to $470m yearly are going into debt servicing. Eurodollar loans, guarantees and debts to contractors are thought by foreign sources to be around $600m to $700m, though Sharjah officials say it is now much less. The emirate's contribution to the federation will therefore become a moot point in future, particularly for those international banks which have lent into the sheikhdom.

Until this public commitment was given, the emirate was running a balanced budget say local bankers, and from next year the bonus of gas supplies to Dubai will be available to help out the debt picture.

The exact size of the contribution is likely to be influenced by the unpaid bill for gas owed by the federally-financed Emirates General Petroleum Corporation which supplies the northern emirates. Sharjah is currently owed about $130m to $200m, say local sources. Until now, the emirate chooses not to consider gas revenues when calculating the budget.

Gas revenues could put Sharjah's total income over the $560m mark, which, if expenditure remains relatively restrained, could leave the emirate comfortably on the path towards ridding itself of old debts.

Sharjah's calculations this year, were upset when it found that it had to pay out an unexpected $60m on n syndicated loan which had previously been serviced by Abu Dhabi. The capital emirate took the view that with its new oil revenues, Sharjah did not need to be assisted any longer, Sharjah officials say the emirate was happy to pay off the loan, and that the last instalment will be in March next year. The whole episode was indicative of Abu Dhabi's present attitude towards helping out old federal dependants.

Yet, while the Sharjah government's position may be improving, the position of its local businessmen is the reverse, believe many. One of the town's leading businessmen is said to he having difficulties, and a bankruptcy by any one of the leading businessmen will have far greater impact than in say, neighbouring Dubai. Local businessmen were forcefully reminded earlier this year just how much of their prosperity can be willed away by a sheikhly decision, for in October, the emirate decided to "go dry" and ban the sale of alcohol.

Sharjah's Ruler, Sheikh Sultan bin Muhammad al Qasimi.

It is perhaps an expatriate view that the decision has cast a pall over the business and social climate of the emirate. Sharjah was once known for its efforts in tourist promotion and had been expecting some 10,000 European tourists to come and tan themselves on Sharjah beaches this winter. The emirate had also been notching up a reputation as a relaxing weekend place, particularly amongst Abu Dhabians, Kuwaitis and Saudis who came during the longer feasts.

A good deal of this trada is now being diverted to other emirates, and local bankers believe that the hotels could begin closing before the end of this year. Government officials point out that the majority shareholdings in most of the hotels are owned by the local emirate, and thus the hurden of losses is likely to fall back on the state, not the local business community. Others fear though that the decision could have an impact on local rents which are already in decline. The decision to go dry also occurs just as Sharjah emirate received the unexpected bonus of 20 more flights a week from Gulf Air following the airline's cutback on flights through Dubai.

Few expect commercial activity to pick up in the following two years, for while Sharjah concentrates on paying off old debts, the local budget cannot be expected to experience much of a boost in expenditure around the town. There is already speculation that the emirate's four local hanks might be ripe for mergers though government officials say they do not see any happening for another two years.

Local bankers say they cannot foresee any reason to merge with each other unless "dowries" are offered as inducements. Local government officials say that the responsibility for offering such inducements should be a joint one between tha ruler of Sharjah and the Central Bank of the Emirates. But, it is not an urgent problem Sharjah officials say.

Airline competition hots up

DUBAI's new national airline carrier hegan operations on October 25 last year—in what is an era of falling air transport revenues and increasing competition world-wide.

The Gulf is not exempt from these influences. A fares war is being waged in the UAE which, travel agents claim, has halved revenues in the past two years, despite the fact that there has been no decline in the number of bookings.

The new Dubai airline has two aircraft, an Airbus and a Boeing 737. So far, the airline has served three routes—daily flights to Karachi end Bombay and thrice-weekly to Delhi. The aircraft and the pilots are leased from Pakistan International Airlines (PIA), and maintenance is carried out by PIA at Karachi.

The airline's title, which consists of the one word—Emirates—might be considered symbolic of future plans for the airline, which has a staff of 80 and is still growing. The emirates themselves have five international airports; two et Abu Dhabi, and one each at Dubai, Sharjah and Ras al Khaimah.

Fujeirah's international airport is expected to open shortly, and a third airport for the Abu Dhabi emirate is under construction et Al Ain. Yet the UAE as n whole has no national carrier.

Gulf Air, in which Abu Dhabi's ruler, Shaikh Zayed, holds shares—in company with the rulers of Bahrain, Qatar and Oman—has been operating out of Abu Dhabi as the national carrier for that emirate. There has been speculation in the air travel industry that the other emiratas have been offered shares in the Emirates airline, but none has responded positively so far.

In eddition to Abu Dhabi, Gulf Air acts as the national carrier for the states of the remaining shareholders—i.e., Bahrain, Oman and Qatar. Although Gulf Air has had the lion's share of the regional market for recent years, there are signs that Gulf Air will face stiffer competition. One aspect of this is a long-standing wrangle with PIA over reciprocal landing rights. Falling revenues also contributed to Gulf Air's first-ever profits dip in 1984, just after the company announced plans to float a proportion of its shares among Gulf nationals.

The disagreement with PIA provides the backdrop to the formation of Dubai's new airline. Gulf Air had been reducing its flights to Dubai over the previous 18 months. One of the points at issue between the two airlines centred on Dubai's refusal to co-operate in an arrangement which might have won Gulf Air traffic rights to more than one Pakistani destination.

In the resulting wrangle between Dubai and Gulf Air, PIA has been the main beneficiary so far. Not only does it continue to have landing rights throughout the Gulf, including Dubai, it only allows both Gulf Air and Emirates to land at one single Pakistani destination—Karachi, while PIA itself flies to and from the much sought-after destinations of Islamabad and Lahore as well.

A further twist to this story is that Emirate's flight schedule from Karachi does not always suit passengers travelling from up-country who tend, according to travel agents, to favour PIA's later flight instead. Moreover, Air India also stands to benefit, as it now has flights to Dubai from Delhi and Bombay.

The air travel industry was hopeful when the Emirates airline was formed that the establishment of e national carrier would help to regulate prices in the region. Ona travel agent said: "The national carrier tends to set prices from its home airport. We are hopeful that prices will move upward as a result of Emirates' formation."

It seems, however, that Emirates have been obliged to enter the fares fray, and is offering ticket prices which compare favourably not only with those of Gulf Air, hut also with PIA. The Dubai/Karachi economy return fare is only $150, compared with Gulf Air's price of nearly $170. Emirates is also offering discounts on first-class tickets.

Gulf Air has withdrawn most of its flights from Dubai and is now flying to Sharjah instead. The inconvenience to passengers travelling to Dubai from other Gulf terminals is producing an effect which must surely be the reverse of that intended.

Dubai is proud of its reputation as a major gateway to the Gulf. Under its "open skies" policy, forty-four airlines use the airport, and 3.5m passengers pass through it each year. A second terminal, now being built, will provide total annual capacity of 5.5m passengers.

The airport has a duty-free shopping complex which recently won a prestigious award in competition with long-established duty-free ereas such as Amsterdam and Singapore. The complex boasts such bargains as malt whiskies at $5 per litre and cheap hut good-quality furs.

Emirates

Emirates, the title of Dubai's new airline, might be considered symbolic of the future plans for the carrier, but competition is intensifying with an air fares war being waged in the region.

The Emirates airline will nevertheless have to develop its regional network if it is to offer the sort of service which will make the new airline an improvement on what was available before. Negotiations for landing rights have been carried on right from the outset, hut so far Dubai is its only Gulf destination. Emirates has a standing request for landing rights in Bahrain, Gulf Air's headquarters, so far without success.

A request to land in Kuwait was granted, then withdrawn; now it seems that this permission has been finally given, and the airline hopes to offer flights to Kuwait later this month.

Dhahran is another Gulf destination which is expected to be offered soon by Emirates, along with Colombo, Dacca and Cairo. With a network of that size to serve, all of them on heavily-used routes, the new airline should be well under way to profitability.

But Abu Dhabi remains closed, as the authorities there seem reluctant to become embroiled in the diplomatic complications of the affair. Meanwhile, a general sales agency for the Emirates airline has been set up in Abu Dhabi.

An announcement in early November of 1985 fuelled speculation of the intention on the part of Abu Dhabi in turn to found its own airline. Abu Dhabi Helicopters, presently equipped with 33 craft, has been in operation since 1976, and was empowered by decree to acquire fixed-wing aircraft and to operate both within and outside the country.

The helicopter operation is now to be known as Abu Dhabi Aviation, becoming a holding company with three subsidiaries: Falcon Air, Falcon Supply and Falcon International. It is the last-named which gave rise to most speculation, as it seems to leave the door open to the establishment of an international commercial airline.

Ali Saeed al Shamsi, general manager of Abu Dhabi Aviation, says: "If developments in the Gulf area dictate, wa shall be ready to take on passenger traffic."

He stresses, however, that in no circumstances would the company be in competition with other GCC carriers. He also rules out any question of an eventual merger or other link with Emirates.

Shares in Abu Dhabi Aviation are held hy UAE citizens, though the Abu Dhabi Government retains a 30 per cent interest. Profits in 1984 stood at over $12m, while turnover exceeds $30m, according to al Shamsi.

The company has its own maintenance company, in Falcon Supply and is in the process of building its own airport and maintenance hangars close to Abu Dhabi's older international airport now used only for VIPs and the military.

Abu Dhabi Helicopters has also been in negotiation for the purchase of its only serious competitor, the privately-owned Emirates Air Services, so far without success.

If Abu Dhabi's new airline company ever decides to move into international passenger traffic, it would do so from a very different base from its sister emirate's new airline Emirates.

ANGELA DIXON

United Arab Emirates 6

UAE Local Banks

Emirate	Bank	Control
ABU DHABI	National Bank of Abu Dhabi	Government
	Abu Dhabi Commercial Bank	Government. Created from the merger of three other banks, Emirates Commercial Bank, Federal Commercial Bank and Khaleej Commercial Bank, all of which had strong connections with the Government
	Bank for Credit and Commerce Emirates	Local version of BCCI formed to comply with central bank rules. Present control not known, formerly large ruling family interest
DUBAI	National Bank of Dubai	Government
	Union Bank of the Middle East	Government. Formerly owned by local merchant, has been vehicle for merger of two other merchant-owned banks, Emirates National Bank and Dubai Bank in past year
	Commercial Bank of Dubai	Chairman: Ahmed al Tayer, UAE Finance Minister
	Bank of Oman	Owned by al-Ghurair family. Granted time to comply with central bank rules, and has made large debt provisions
	Middle East Bank	Owned by al-Futtaim family. Capital injection required, loan provisions made
	Dubai Islamic Bank	Sole UAE bank run on principle of not charging interest.
	Al Ahli Bank	Negotiations continuing with Kuwaiti parent bank with aim of achieving foreign branch status
SHARJAH	National Bank of Sharjah	Government, and Shalafir merchant family
	Bank of Sharjah	Minority Government interest, merchant families, 15% holding by Banque Paribas of France
	United Arab Bank	Minority Government interest, merchant families, holding by Societe Generale of France
	Investbank	Sharjah nationals, Lebanese interests
AJMAN	First Gulf Bank	Kuwaiti interests. Formed after 1977 problems of Arab Ajman bank. In merger talks with Bank of the Arab Coast
RAS AL KAIMAH	National Bank of Ras al Kaimah	Government
	Bank of the Arab Coast	Minority Government holding, many local investors. Bank has ceased functioning in recent months, merger talks continuing with First Gulf Bank
FUJEIRAH	National Bank of Fujeirah	Government
UMM AL QAWAIN	National Bank of Umm al Qawain	Government and other local investors

The shake-out leads to mergers

Banking sector

MAGGIE FORD

JUST as 1985 saw the first bank mergers in the UAE, so the next 12 months could well produce the first liquidation.

The shake-out in the banking system has reduced the number of local banks from 24 to 19. Three banks in Abu Dhabi have been merged into one, and in Dubai two banks have merged with a third, tha Union Bank of the Middle East.

The effect of the changes is to transfer control of e substantial section of the banking system into the hands of the ruling family governments in each emirate.

The difficulties in the UAE banking system first became apparent in 1983 with the crisis at UBME, then owned by Mr Abdul Wahab Galadari, a Dubai merchant. A rescue of the bank, which had sustained substantial losses through commodity trading, was mounted by the Dubai ruling family with the help of the UAE central bank.

Control passed to the ruling family and the bank has been the vehicle through which other mergers beve been arranged. The first to be dealt with was Emirates National Bank, found to have a negative net worth and merged with UBME. This bank was owned by Mr Majid al-Ghurair, another local merchant.

The second bank to be merged with UBME was Dubai Bank, ownad by two other Galadari brothers. Negotiations are still continuing over this bank, as it had taken on loan arrangements connected with the original rescue of the other Galadari bank, involving e consortium of foreign banks.

In Abu Dhabi the position was a little different, as at least two of the banks merged already had strong connections with the emirate'e ruling family. A merger of the three banks: Emirates Commercial Bank, Khaleej Commercial Bank and Federal Commercial Bank, was relatively easy to arrange with the belp of the Db1.25bn capital injection from the ruling family. A new bank Abu Dhabi Commercial Bank, was created.

The governments of the two emirates have followed a series of basic principles in their handling of a situation which potentially had serious dangers for the maintenance of international confidence in the country.

● Because the central hank does not have the assets to enable it to take the risk of heing a lender of last resort, the responsibility for guaranteeing banks rested with the government (ie ruling family) in each individual emirate

● The approach to helping banks in need would be decided case by case. Those banks which had got into difficulty because of the recession, due to bad Inck or because the lack of banking laws makes it difficult to pursue bad debts through the courts, would be helped by the governments to repey debts over a longer period, with assistance towards better management and sometimes with immediate cash injections or government deposits.

● Those banks, bowever, which were seen to have speculated irresponsibly with sharebolders' and depositors' money should not be allowed to profit from their misdeeds. Governments were particularly concerned abont repercussions from the Souk al Manakh crash in Kuwait.

● Where foreign banks were concerned, the governments tended tn take the view that they were ahle to look after themselves, and that they had earned very substantial profits quite easily from the country during the oil boom years. Exposure tn bad loans was likely to have reflected a failure to use their expertise in making jndgments about where to place their business, the Governments felt.

The policy has been pursued in Dubai with a vigour described as "surgical" by one banker, but is now viewed as complete, with the exception of a number of final decisions whicb must be taken about the fate of the Galadari group. Two other banks owned by merchant families in Dubai appear to have survived, though not without personal cost to their owners.

Bank of Oman has had very severe difficulties in complying with the central bank rule thet loans to directors were to be rednced to no more than 5 per cent of capital and reserves. One of the main assets of the al-Ghurair family, which owns the hank, is a large shopping complex in Dubai known as the Gburair Centre.

The outlook for banking in the UAE is nothing like as bleak as it was a couple of years ago, although a return to the easy profits of the boom years is most unlikely.

In Abu Dbabi last year's merger of three banks, two of which were said to have a negative net worth, was achieved, fairly painlessly, perbaps because of all three banks' connections with the ruling family. The new bank created has had to take over the debts of the other three. It is expected to rationalise hranches, staffing and management, hnt emirate officials believe It will take ten years to deal with the problem loan portfolio.

In both these emirates, control of a substantial part of the hanking sector is now in the hands of the two governments, both of which have expressed their determination that much more strict controls will be exerted in future. It is in the poorer northern emirates that problems still remain.

The appointment of a governor and board at the UAE Central Bank lete last year may signal e more precise role for the institution in dealing with these residnal, and comparatively small-scale difficulties. In the two larger emirates the ruling families have chosen to organise the rationalisation of the banking sector themselves, in the interests of speed, maintaining international confidence and establishing local control. Both governments, unlike the central bank, had the resources to provide such cash injections as were needed, and restricted the role of the central bank to a consultative one.

In some of the poorer northern emirates however, rulers may not have the financial resources nr the political will to take control of ailing institutions. Where they are thought to have speculated irresponsibly and particularly if there is Kuwait involvement, help may not be forthcoming from the traditional source—the ruler of Abu Dhabi.

In the case of Bank of the Arab Coast, a Ras al Khaimah bank, a large number nf local investors may have lost money. In the interests of the UAE as a whole, other senior ruling families may not want to risk the potential political instability of many citizens holding their ruler responsible for such a problem, and this matter could be deemed a federal issue, where the central bank might play a stronger role.

Althougb the central benk has not been eble to act es e lender of last resort, bankers praise the way it hes formulated regulations designed to force change on the system. They particularly cite new rules on reporting loan loss provisions. As one banker said: "It was the central bank's rule on loans to directors that caused tbe system to atart cracking in the first place."

At the end of tbe country's hanking retionalisation, Government officials say they expect a strengtbened role for the central bank, so as to make sure that the problems of tbe last few years do not occur again.

Curiously, e sharp reduction in profits can nften be viewed as a sign of the future good health of a UAE bank, especially if tbe change is caused by increased provisions for bad debts. In some cases last year's profit falls were severe: the National Bank of Abu Dbabi saw a 64 per cent drop in profit and passed its dividend; Bank nf Oman saw a 26.6 per cent cut; the Bank of Credit and Commerce Emirates saw a 20.6 per cent fall (and a 131 per cent increase in provisions) and the Natinnal Bank of Sharjah recorded a reduction of 46 per cent.

Given that those banks which still remain are well managed and keen to search out new business, then the outlook for UAE banking is notbing like as bleak as a couple nf years ago, although a return to the easy profits of the boom years is most unlikely. As one Government official put it: "It is not our duty to make people millionaires—and it would not he good for them if we thought it was."

Power supply structure nears completion

Energy projects

ANGELA DIXON

AN IMPORTANT energy landmark will be reached soon by the UAE. In the next year, virtual self-sufficiency in gas supplies for power stations and desalination plants will be ettained for the first time.

In the next few months, Dubai will begin drawing on the gas available in neighbouring Sharjah, and in the northern part of the country. Sharjah's gas has ended the severe power problems of the last few years. Abu Dhabi, meantime, is planning to go ahead to utilize the non-associeted gae from its offshore fields and elsewbere.

Sharjah's gas was discovered in 1981 and is currently being produced at a rate of 40m sq cubic ft (scf) per day. In 1984 the northern emirates pipeline to supply Ajman, Fujeirah, Ras al Khaimah and Sharjah town was established. Meanwhile, a separata scheme to take 70,000m Btus per day of the gas to Dubai is already under way.

The two schemes illustrate the triumph of pragmatism over theoretical difficulties which frequently come into play in emirate affairs. In the case of Dubai, negotiations for the purchase of the gas from Sbarjah were complicated by a border dispute, involving rights to the Margham gas/condensate field. The issue was settled along with the gas supply deal, and Dubai ended up with a price of US$1.5 per million Btu.

The project for a pipeline network to the northern emirates was initiated, funded and carried through by a federal body, the Emirates General Petroleum Corporation (EGPC). This entailed negotiations with the Sharjeh Government and with three separate power and water euthorities. A price was agreed—US$3.50 per mBtu, plus a transportation cost of Db 2.70 (about seventy US cents).

Theoretically, the Ministry of Electricity and Water pays EGPC for the gas, and then charges the consumer. These charges are not intended to cover the capital cost of the project but only the cost of gas extraction. However, cost and payments are academic; EGPC is still owed something like one billion dirhams by the federal government in respect of fuel subsidies.

The electricity and water ministry's strongest card is its spending power, but like other federal ministries, it has found itself curtailad of late. While generous subsidies are maintained, federal projects have been cut. Thie has mainly affected plans for water provision.

Although the Emirates' power supply structure is now almost complete, water supplies, especially in some smaller emirates have still to be completed. In Ras al Khaimah, treditionally the most agricultural of the emirates, with date gardens growing in the shadow of tha Mussandam mountains, underground water supplies are becoming more and more brackisb as greater demands are made on them.

In Ajman, with a population of areund 30,000, every household has e water pump, and all consumers are accustomed to the occasional waterless day. These emirates have no source of water other than their aquifers. A study by Fichtner of West Germany showed an urgent need for desalination plants in Ras al Khaimah and Ajman, but these are unlikely to be given the go-ahead in the near future.

The situation is complicated for other reasons too. The Emirates, with an estimated population of 1,250,000, have five water and electricity authorities — the federal ministry and the authorities of Abu Dhabi, Dubai, Sharjah and Ras al Khaimah. The local power and water anthorities predated the federation, and were unwilling to relinquish such a key aree when the federation was formed in 1971.

Money, bowever, bas been a problem for some smaller emirates, so the ministry often provides backup in the form of equipment supply, and administers subsidiea to the smaller emirates. The real cost of electricity in the UAE is around 30-30 fils per unit of electricity; however, the charge to the consumer is around 7 fils. (One dirham or 100 fils is equivalent to 27 US cents.)

In Abu Dhabi and Dubai, the resulting subsidy comes from the purse of the respective rulers. Other emirates depend on federal funds, to a greater or less extent, and these are administered by the federal ministry.

In Ras al Khaimah, responsibility for the operation, maintenance and staffing of power stations is carefully shared, and demarcation lines are strictly observed. Power distribution and tha administration of the system are bandled by the local authority while generation is supervised and run by the federal electricity and water ministry. But capital investment such as the recent installation of new turbines at al Nakheel power station in Ras al Khainah is the ministry's responsibility.

The emirates of Fujeirah, Ajman and Umm al Quwain are all under tha eagis of the ministry, as are the remoter villages of the Sharjah emirate.

In the emirates of Abu Dbabi and Dubai, responsibility for power and water supply is almost wholly devolved to the local (emirate) governments. Abu Dhabi's Water and Electricy Department is at present in the process of constructing a power/desalination plant, the first pbase of which will provide the emirate's main urban centres with an edditional 250 Mw of electricity and 20m gallons of water e day.


The Margham Field, operated by Arco in Dubai

The site, et Taweelah, on the shore of the Gulf, about halfway between Abu Dhabi city and Dubai, is capable of almost indefinite expansion is required. It will, it is hoped, have the additional advantage of minimising the damage to the anvironment.

The steaming bot waste water from the plant will be channelled through a natural creek, where it will have a chance to cool before antering the open sea.

But the location also reflects an earlier plan under which Taweelah was envisagad as the centre of a power grid for the whole of the UAE. Despite the fact that later phases of the project have been postponed indefinitely, officials do not rule out such e prospect in the longer term.

The plant at Taweelah is expected to provide the power and water requirements of the Abu Dhabi emirate up to the year 2000, allowing for an expansion of some 5 per cent e year, and is additional to capacity et Abu Dhabi and Umm al Nar power station.

Previous rates of expansion in Abu Dhabi have been dramatic. In 1968, electricity consumption stood at 0.1 mW. In 1985, the figure is 1.158 mW per day while water consumption rose from 1m gallons e day to its present figure of 55m gallons a day in the same period.

Dubai has similar plans for increased capacity. Forecasts of Dubai Electricity show tha number of consumers increasing from 95,000 in 1985 to 107,000 in 1989, with e steady annual growth of 10 per cent up to 1993. A new generating station is to be built alongside the existing one at Jebel Ali. The new station will provide eround 200 mW plus an extra 91,000 cu metres per day of desalinated water.